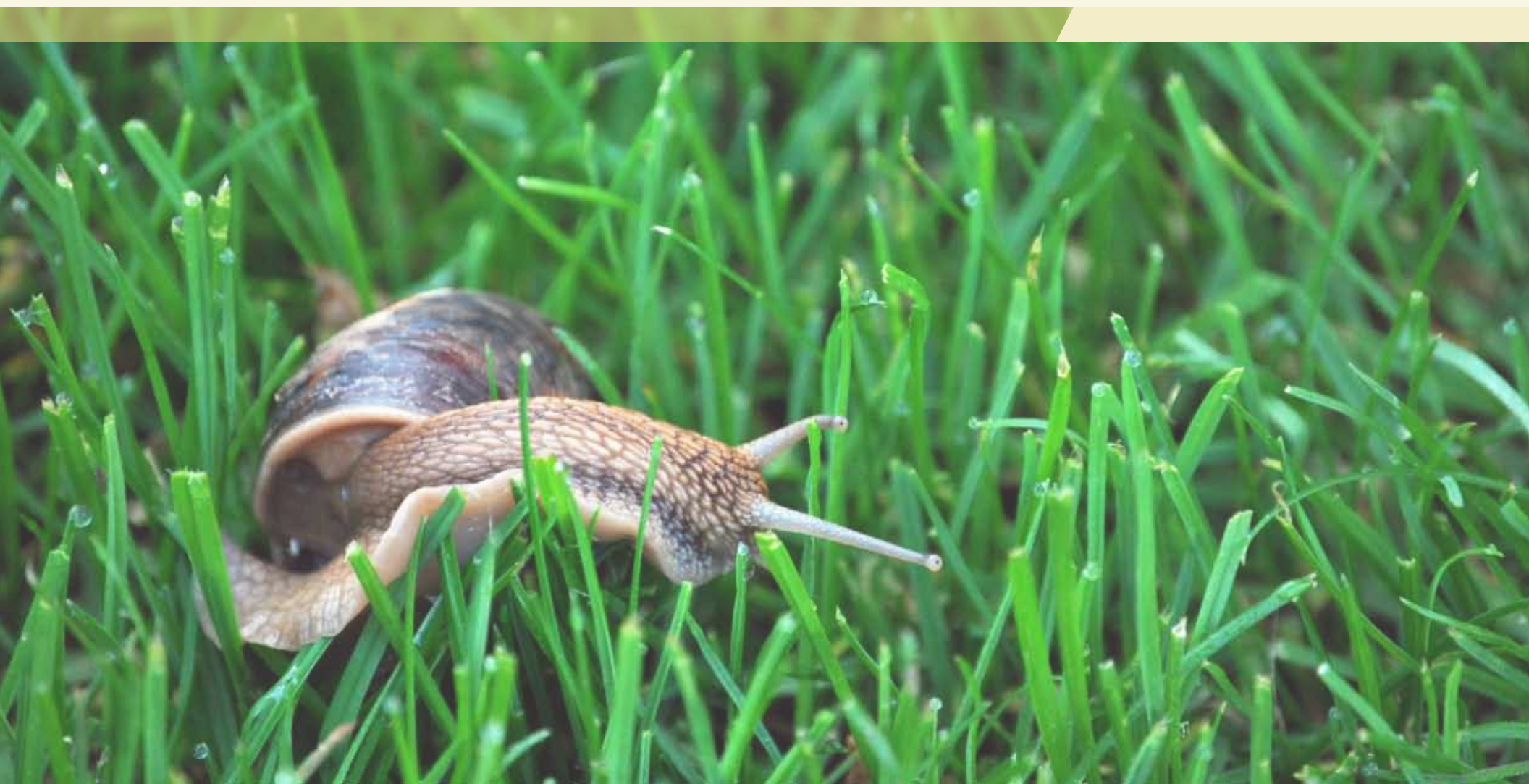


# CALIFORNIA HEALTH CARE ALMANAC



## Health Care Costs 101: Slow Growth: A New Trend?

SEPTEMBER 2013

# Introduction

The United States continues to spend a greater percentage of its wealth on health care than any other industrialized nation. But a smaller overall increase in 2011 spending was in notable contrast to historical trends. The 3.9% rise was on pace with the growth rate in the economy as a whole and with inflation. Whether this signals a change in the cost trend line or is simply a result of lowered spending during the recession is hard to know. With sweeping changes to the health care system around the corner, these latest figures may indicate a more favorable climate for the rollout of the Affordable Care Act.

Relying on the latest data available, *Health Care Costs 101*, part of CHCF's California Health Care Almanac, details how much is spent on health care in the US; which services are purchased; and what proportions are financed by households, government, and business.

## KEY FINDINGS INCLUDE:

- In 2011, health care spending reached \$2.7 trillion, an average of \$8,680 per person.
- Both health spending and the overall economy grew at similar rates, keeping health care's share of the gross domestic product (GDP) unchanged for the third straight year at 17.9%.
- Health care's recent 3.9% spending increase is considerably slower than growth posted over the past 20 years (6.3% average annual increase between 1991 and 2011).
- The slow rates of growth were seen across all spending categories in 2011, and no major categories exceeded 5% per year.
- Prescription drugs spending increased 2.9% in 2011, a near-record low.
- Public health insurance paid for the largest share of the nation's care at 39%; private health insurance paid for 33%.
- Health care spending consumed 46% of federal government revenues and 6% of household income.
- State Medicaid spending increased dramatically in 2011 as enhanced federal aid to states expired mid-year; state spending on Medicaid grew 22.2%, while federal Medicaid spending fell 7.1%.

## Health Care Costs 101

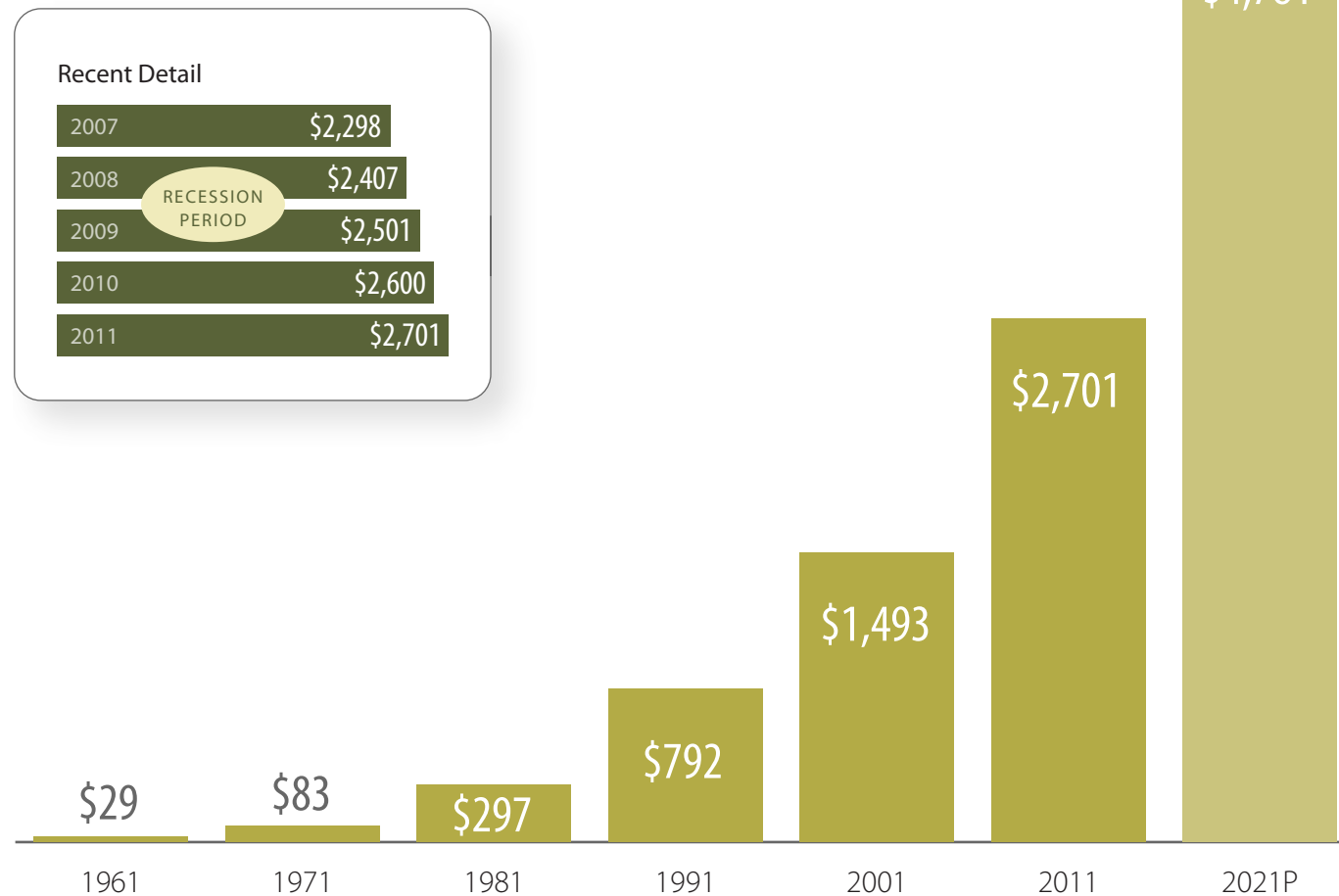
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# Health Spending

United States, 1961 to 2021, selected years

IN BILLIONS



## Health Care Costs 101

Spending Levels

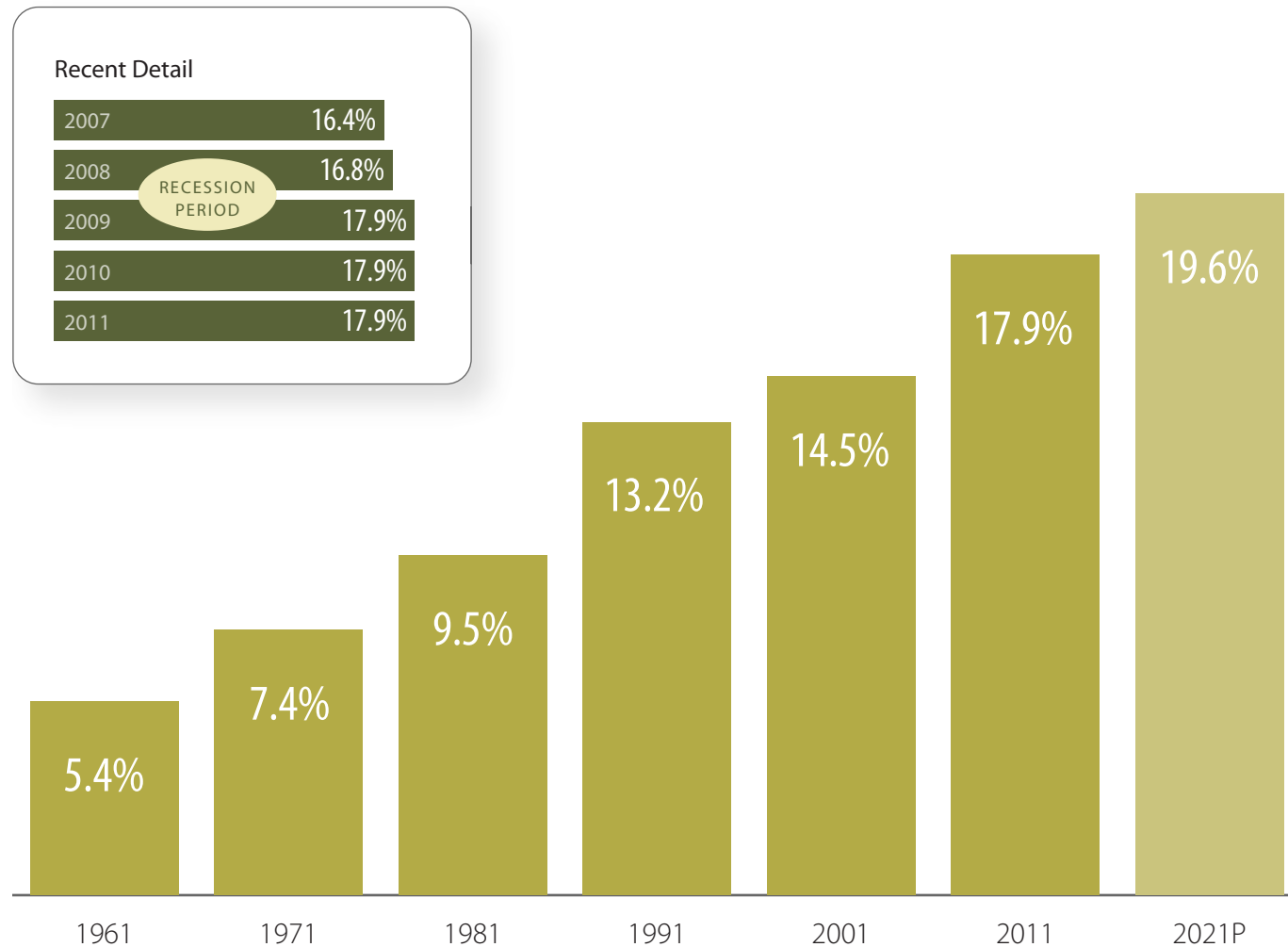
National health spending reached \$2.7 trillion in 2011 and is projected to increase to \$4.8 trillion by 2021.

Notes: Health Spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

# Health Spending as a Share of GDP

United States, 1961 to 2021, selected years



Notes: Health Spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

## Health Care Costs 101

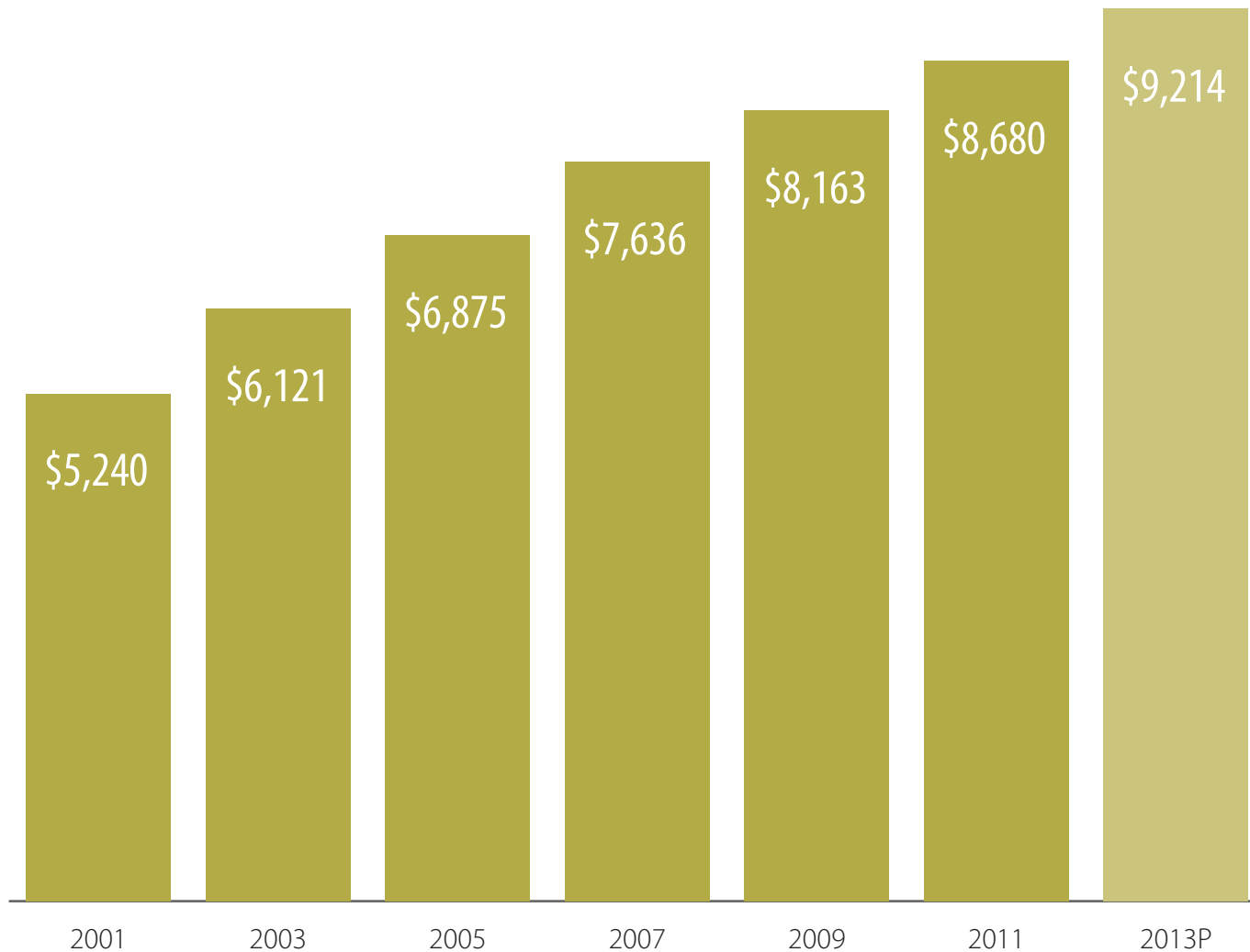
Spending Levels

Health care spending as a share of the economy stood at 17.9% for the third year in a row, as both health spending and the economy experienced slow growth.\*

\*2011 figure reflects a 4% increase in Gross Domestic Product (GDP) and a 3.9% increase in national health spending over 2010 levels.

# Health Spending Per Capita

United States, 2001 to 2013, selected years



## Health Care Costs 101

Spending Levels

Health spending per capita increased 66% between 2001 and 2011, or an average of 5.2% annually. In 2013, US health spending is projected to reach \$9,214 per person.

Notes: Health Spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

# Health Insurance Spending Per Enrollee

United States, 2011 vs. 2014

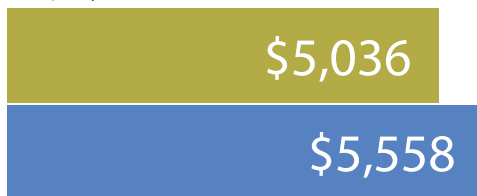
Medicare



Medicaid



Employer-Based Insurance



■ 2011  
■ 2014P

## Projected Growth, 2011–2014 (average annual)

Medicare	1.2%
Medicaid	0.8%
Employer-Based Insurance	3.3%

## Health Care Costs 101

Spending Levels

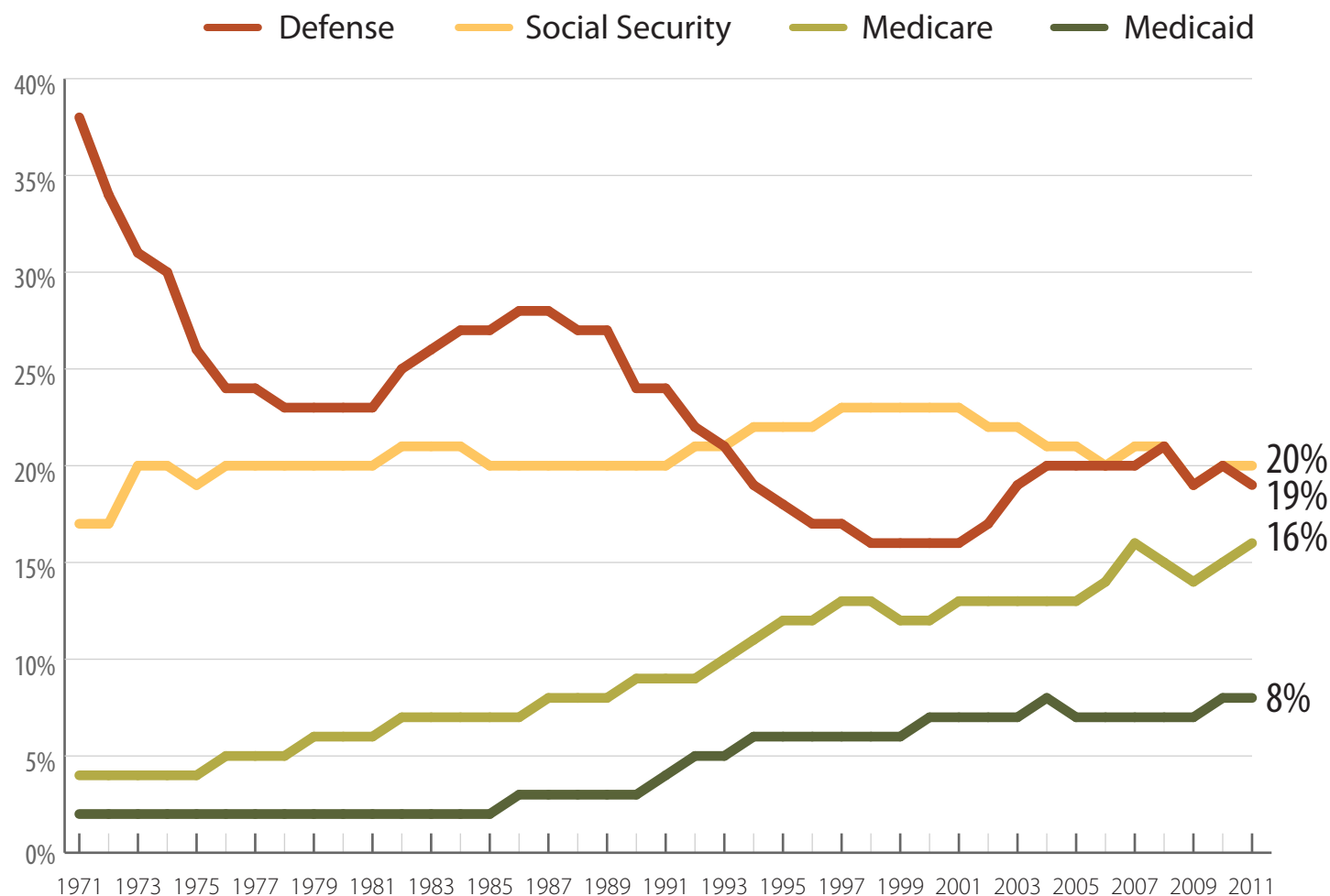
Major provisions of the Affordable Care Act will be implemented in 2014, but are not expected to significantly impact per enrollee spending because it is anticipated that new enrollees will represent a younger, healthier population. Medicare spending per enrollee was 2.4 times higher than private insurance spending, mainly reflecting the greater health care needs of the elderly and disabled.

Note: Projections (P) include the impact of the Affordable Care Act.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

# Major Programs as a Share of the Federal Budget

## United States, 1971 to 2011



Notes: Spending shares computed as percent of federal outlays. All outlays reflect federal spending only (i.e., Medicaid outlays shown reflect federal portion). Annual changes in federal outlays: 2.8%, 9.3%, 17.9%, -1.7%, 4.1% for 2007, 2008, 2009, 2010, 2011 respectively, show the dramatic federal spending and then withdrawal due to the recession. This activity impacted the share of government spending consumed by Social Security, defense, and other ongoing programs.

Sources: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditure Data, 2012 Release. Congressional Budget Office, *The Budget and Economic Outlook: Fiscal Years 2012 to 2022*, January 31, 2012, Tables F-1, 4, 5, "Historical Budget Data," [www.cbo.gov](http://www.cbo.gov).

### Health Care Costs 101

#### Spending Levels

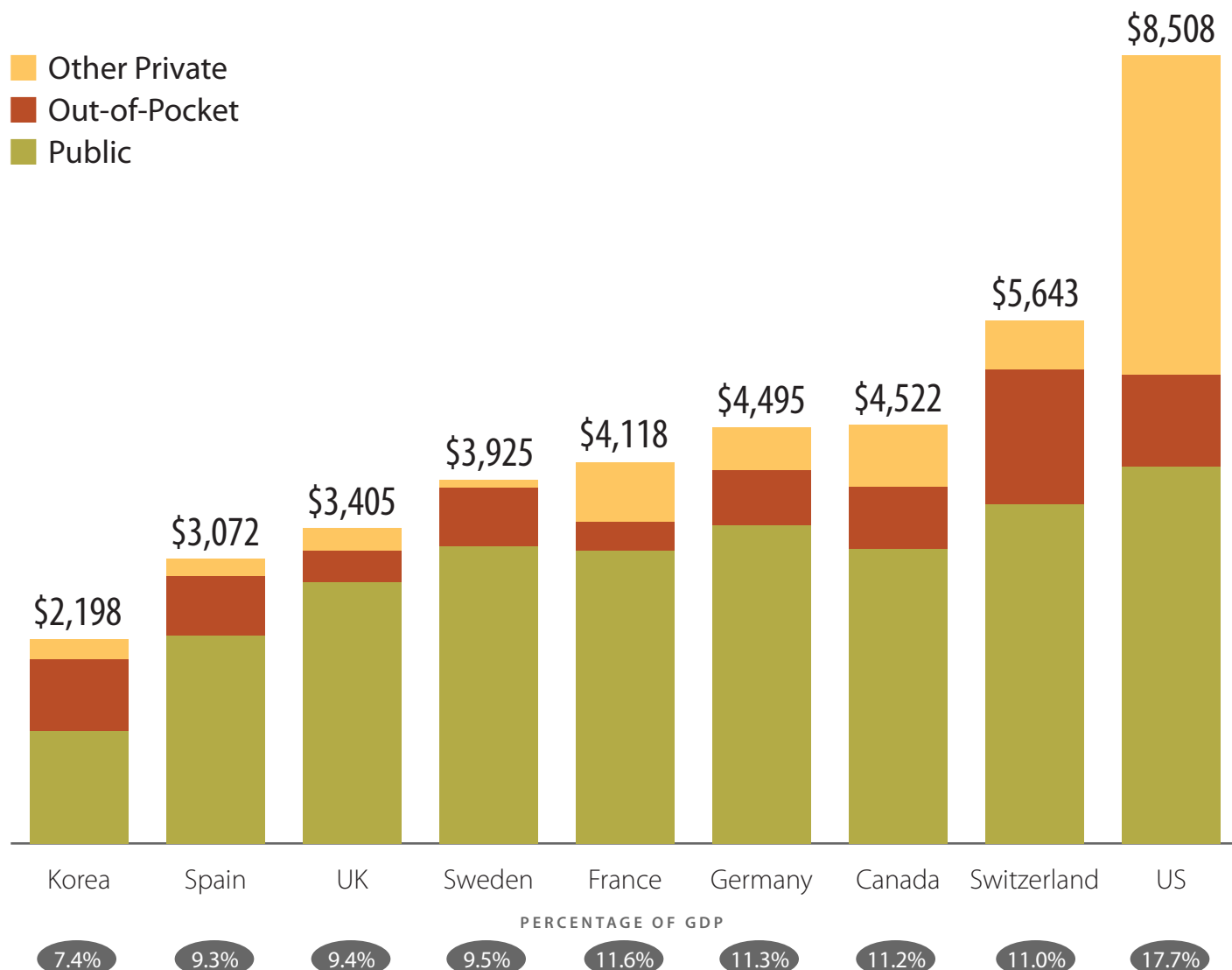
Federal spending on Medicare and Medicaid has consumed a rising share of federal outlays over the long term. More recently, during the 2008–2009 recession, Medicare's share of federal outlays dipped as vigorous stimulus programs expanded overall federal spending. In 2011, Medicaid's slower growth (2.5%, not shown) caused it to flatten out as share of federal outlays.



# Health Spending Per Capita and as a Share of GDP

## Selected Developed Countries, 2011

Other Private  
Out-of-Pocket  
Public



Note: US spending per capita as reported by OECD differs from figures reported elsewhere in this report.

Source: Organization for Economic Cooperation and Development, *OECD Health Data 2013*, June 2013, [www.oecd.org](http://www.oecd.org).

### Health Care Costs 101

#### Spending Levels

US health spending far exceeds that of other developed countries, both in per capita spending and as a percent of GDP. Unlike the United States, in most developed countries the public sector dominates health spending.

#### PAYER DEFINITIONS

**Other private** is computed as total spending less public spending and out-of-pocket spending.

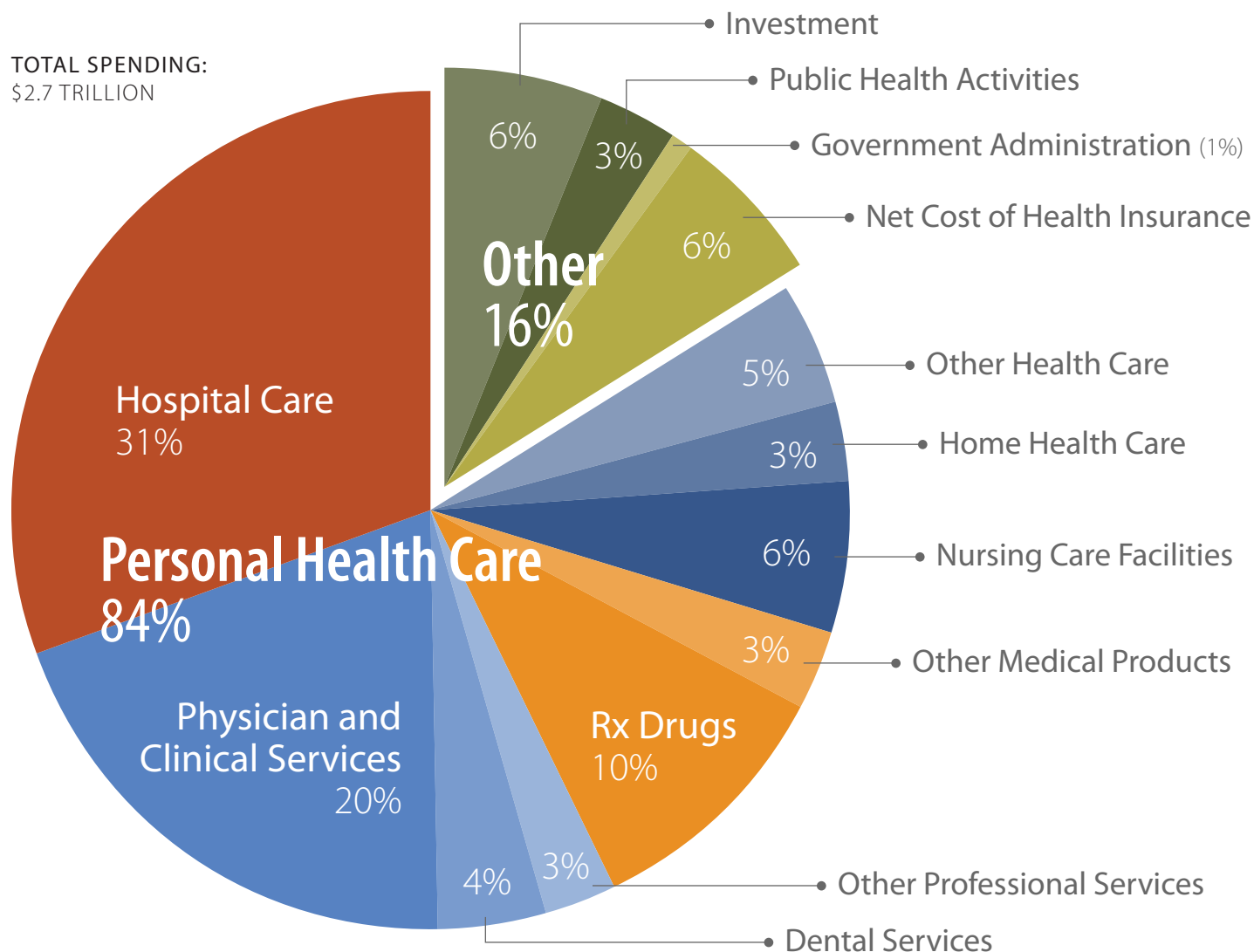
**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.



# Health Spending Distribution, by Category

## United States, 2011

TOTAL SPENDING:  
\$2.7 TRILLION



Notes: Health Spending refers to National Health Expenditures. For additional detail on spending categories, see the Appendix. Further definitions available at [www.cms.gov](http://www.cms.gov). Segments may not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Spending Levels

Hospital and physician services combined accounted for just over half of health care spending. Prescription drugs, the third largest category, accounted for another 10%.

#### SPENDING CATEGORY DEFINITIONS

**Government administration** includes the administrative costs of health care programs such as Medicare and Medicaid.

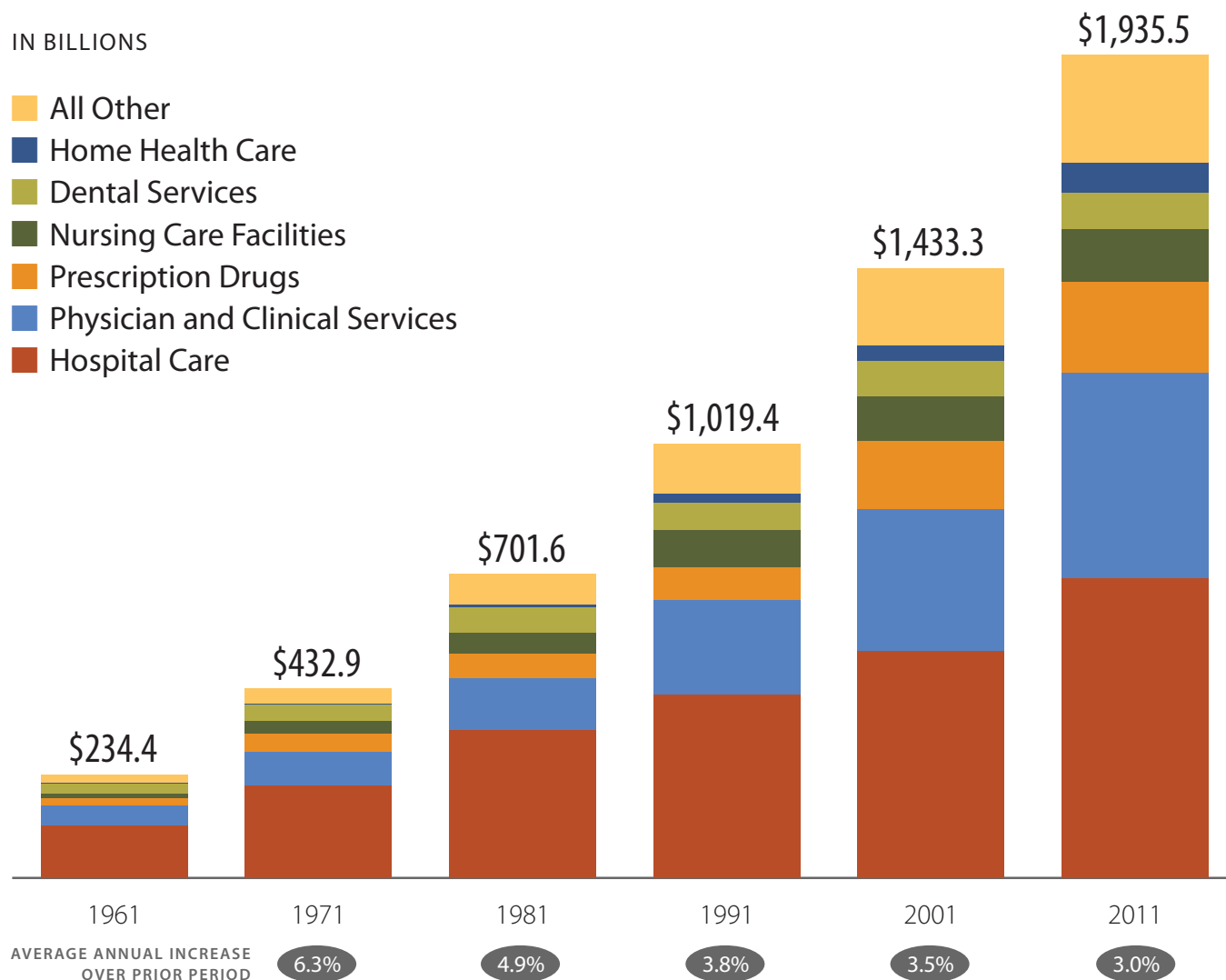
**Net cost of health insurance** reflects the difference between benefits and premiums for private insurance.

**Other health care** refers to the category other health, residential, and personal care.

**Other medical products** refers to durable medical equipment and non-durable medical products.

# Personal Health Care Spending, Adjusted for Inflation

in 2005 Real Dollars, United States, 1961 to 2011, selected years



## Health Care Costs 101

### Spending Levels

Spending on health care has grown substantially over the past 50 years, even after adjusting for the effects of medical price inflation. Real dollar spending increased due to technology, changes in the intensity and quantity of services consumed, and demographics.

Notes: Real dollars remove the impact of medical price inflation; remaining increases in spending reflect increases in technology, changes in the intensity and quantity of services, demographics, and any measurement error. For further information on price deflators, see CMS, "National Health Expenditures Accounts: Methodology Paper, 2011," [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

# Health Spending Summary, by Category

## United States, 1991 to 2011, selected years

	SPENDING LEVEL (in billions)			DISTRIBUTION			GROWTH RATE*	
	1991	2010	2011	1991	2010	2011	1991–2011	2010–2011
<b>National Health Expenditures</b>	<b>\$791.5</b>	<b>\$2,600.0</b>	<b>\$2,700.7</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>6.3%</b>	<b>3.9%</b>
Hospital Care	\$275.8	\$815.9	\$850.6	35%	31%	31%	5.8%	4.3%
Physician and Clinical Services	\$176.5	\$519.1	\$541.4	22%	20%	20%	5.8%	4.3%
Dental Services	\$33.5	\$105.3	\$108.4	4%	4%	4%	6.0%	3.0%
Other Professional Services	\$18.7	\$69.8	\$73.2	2%	3%	3%	7.1%	4.9%
Nursing Care Facilities	\$49.4	\$143.0	\$149.3	6%	6%	6%	5.7%	4.4%
Home Health Care	\$15.2	\$71.2	\$74.3	2%	3%	3%	8.3%	4.5%
Other Health Care	\$27.8	\$128.0	\$133.1	4%	5%	5%	8.1%	4.0%
Prescription Drugs	\$44.4	\$255.7	\$263.0	6%	10%	10%	9.3%	2.9%
Non-Durable Medical Products	\$23.2	\$45.2	\$47.0	3%	2%	2%	3.6%	4.0%
Durable Medical Equipment	\$13.1	\$36.9	\$38.9	2%	1%	1%	5.6%	5.3%
Administration	\$39.7	\$181.5	\$188.9	5%	7%	7%	8.1%	4.1%
Public Health Activity	\$22.1	\$79.3	\$79.0	3%	3%	3%	6.6%	–0.5%
Investment	\$52.0	\$149.1	\$153.5	7%	6%	6%	5.6%	2.9%

\*Growth rate for 1991–2011 is average annual; 2010–2011 is increase of 2011 over 2010 levels.

Notes: Health Spending refers to National Health Expenditures. For additional detail on spending categories, see the Appendix. Further definitions available at [www.cms.gov](http://www.cms.gov). Columns may not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Spending Levels

Spending in 2011 grew more slowly in 2011 than it had over the period of the last 20 years.

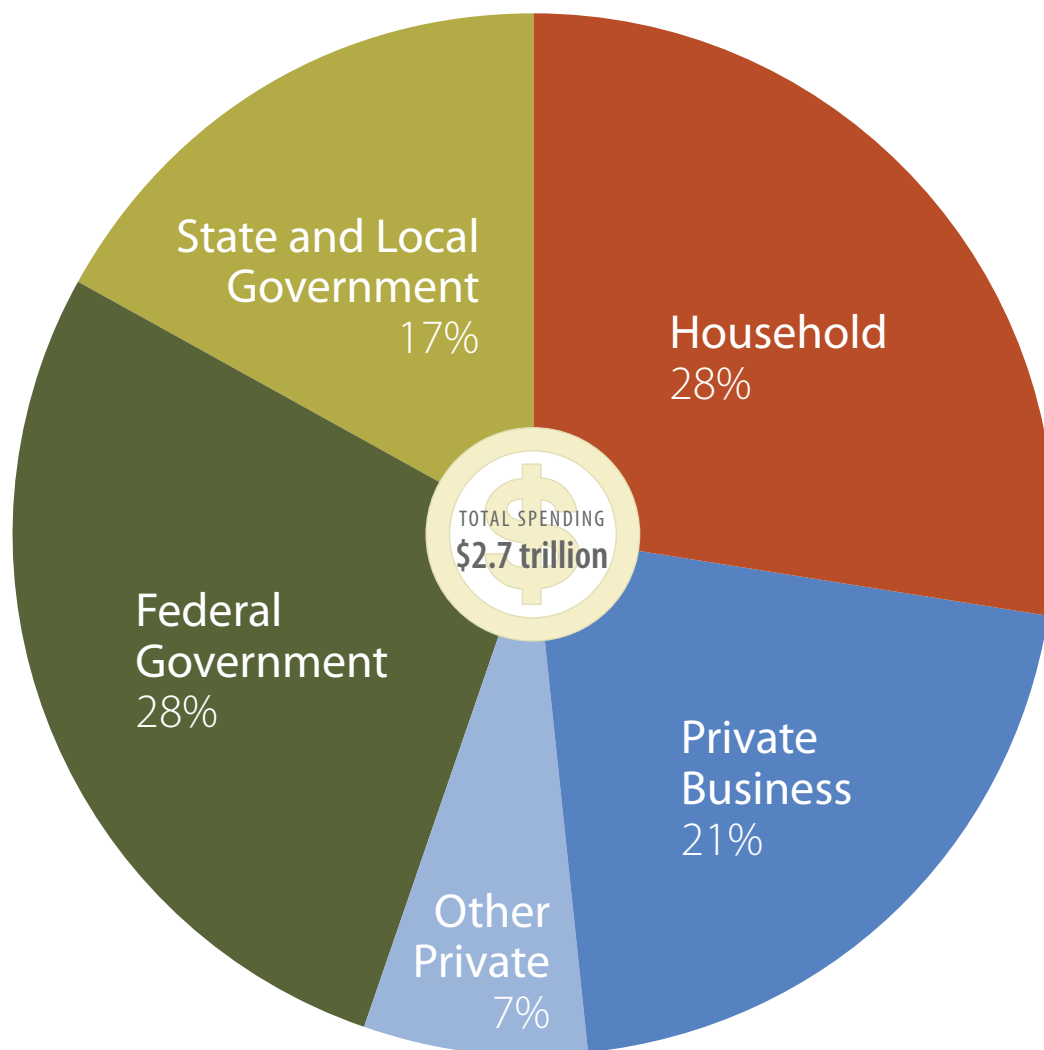
#### SPENDING CATEGORY DEFINITIONS

**Other health care** refers to the category other health, residential, and personal care.

**Administration** includes the administrative costs of health care programs such as Medicare and Medicaid as well as the net cost of health insurance.

# Health Spending Distribution, by Sponsor

## United States, 2011



Notes: Health Spending refers to National Health Expenditures. Sponsors are the entities that are ultimately responsible for financing the health care bill. In past editions, this publication referred to these as contributors. Segments may not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Sponsors

Sponsors finance the nation's health care bill by paying insurance premiums, out-of-pocket expenses, and payroll taxes, or by directing general taxes to health care. Households and the federal government are the largest sponsors of health spending.

#### SPONSOR DEFINITIONS

**Household** contributions include out-of-pocket costs, health insurance premiums, and payroll taxes.

**Private business** contributions include health insurance premiums for workers and payroll taxes.

**Other private** contributions include philanthropy, privately funded structures and equipment, and investment income.

**Federal government** contributions include general tax revenues, plus payroll tax and employer contributions to health insurance premiums for its workers.

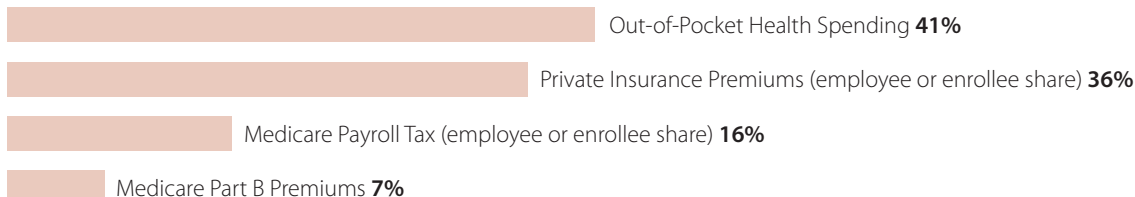
**State and local government** contributions include general tax revenues, plus payroll tax and employer contributions to health insurance premiums for its workers.

# Health Spending Distribution, Sponsor Detail

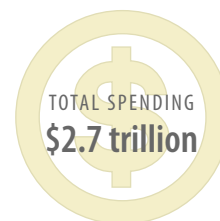
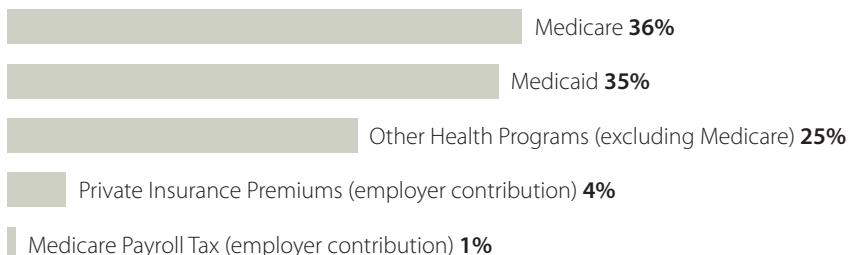
## United States, 2011

IN BILLIONS

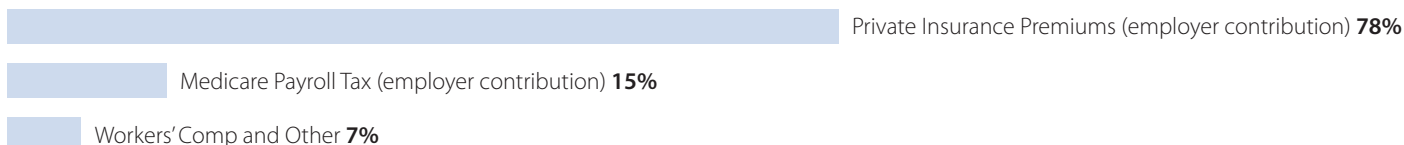
### Households \$748.8



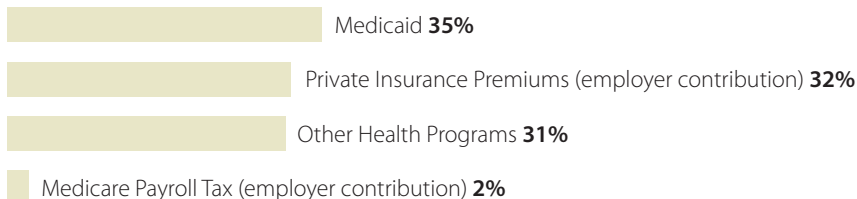
### Federal Government \$744.6



### Private Business \$557.6



### State and Local Government \$470.2



Notes: Health Spending refers to National Health Expenditures. Other Health Programs include Departments of Defense and Veterans Affairs health care, maternal and child health, Children's Health Insurance Program (CHIP). Not shown: Other Private Revenues (\$179.5 billion), which includes philanthropy, privately funded structures and equipment, and investment income. Medicaid buy-in premiums for Medicare are reflected under Medicaid. May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

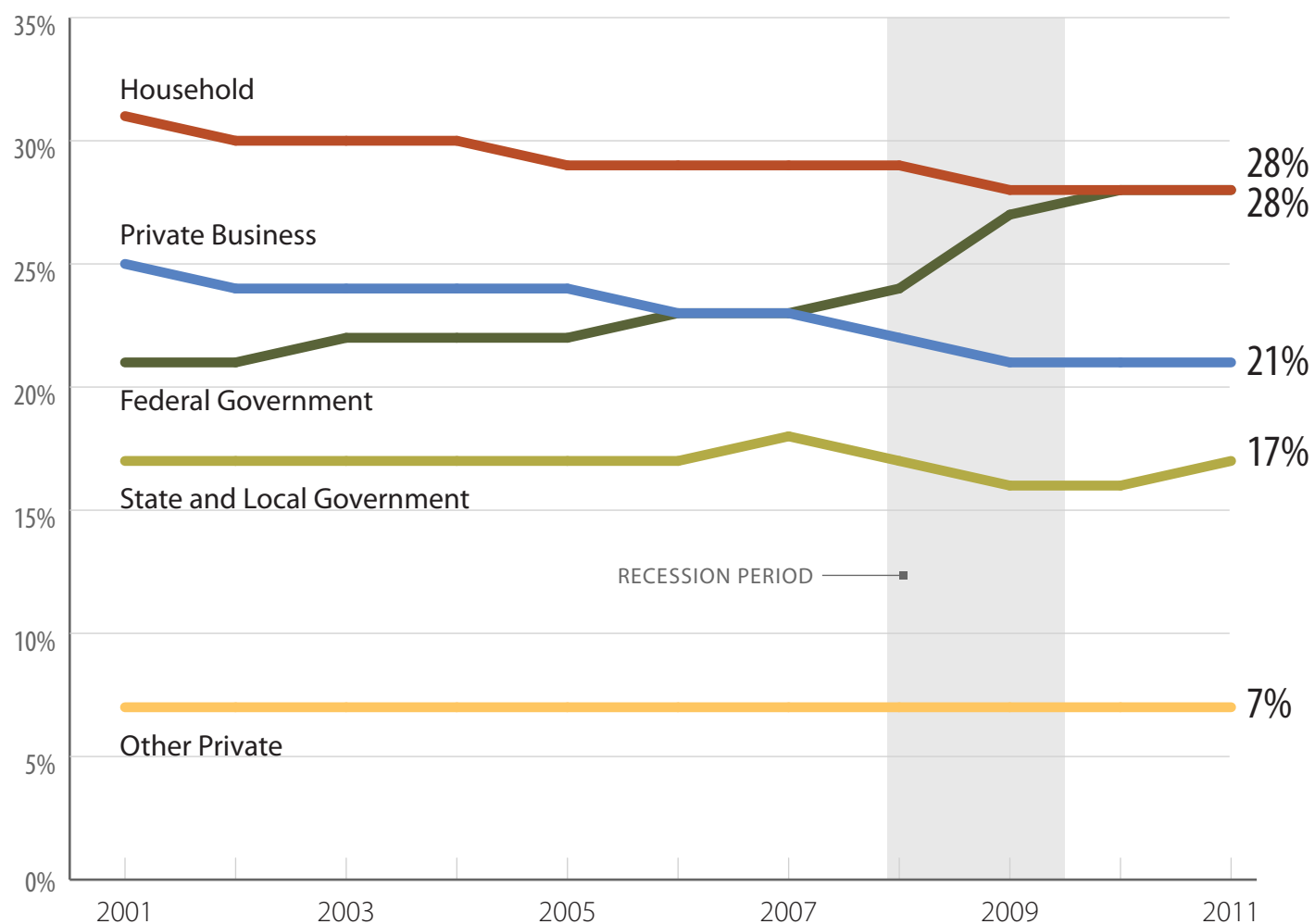
## Health Care Costs 101

### Sponsors

The majority of private business spending (78%) on health care consisted of employer contributions to insurance premiums for workers. In contrast, household out-of-pocket spending consisted largely of spending — on copays, coinsurance, and items not covered by insurance — and on private insurance premiums.

# Health Spending Distribution, by Sponsor

## United States, 2001 to 2011



### Health Care Costs 101

#### Sponsors

During the recession, the federal government's sponsorship of health care spending increased sharply, from 23% of spending to 28%, and state and local government sponsorship declined. But, as enhanced federal assistance to states for Medicaid expired in 2011, state and local government sponsorship returned to previous levels. Households have sponsored a falling share of spending over the past decade.

Notes: Health Spending refers to National Health Expenditures. Sponsors are the entities that are ultimately responsible for financing the health care bill. In past editions, this publication referred to these as contributors. May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

# Health Spending Summary, by Sponsor

## United States, 1991 to 2011, selected years

	SPENDING LEVEL (in billions)			DISTRIBUTION			GROWTH RATE*	
	1991	2010	2011	1991	2010	2011	1991–2011	2010–2011
National Health Expenditures	\$791.5	\$2,600.0	\$2,700.7	100%	100%	100%	6.3%	3.9%
Household	\$268.8	\$728.7	\$748.8	34%	28%	28%	5.3%	2.8%
Private Business	\$192.0	\$534.9	\$557.6	24%	21%	21%	5.5%	4.2%
Federal Government	\$146.7	\$735.2	\$744.6	19%	28%	28%	8.5%	1.3%
State and Local Government	\$123.3	\$427.2	\$470.2	16%	16%	17%	6.9%	10.1%
Other Private Revenue	\$60.7	\$173.9	\$179.5	8%	7%	7%	5.6%	3.2%

\*Growth rate for 1991–2011 is average annual; 2010–2011 is increase of 2011 over 2010 levels.

Notes: Health Spending refers to National Health Expenditures. Sponsors are the entities that are ultimately responsible for financing the health care bill. In past editions, this publication referred to these as contributors. Columns may not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

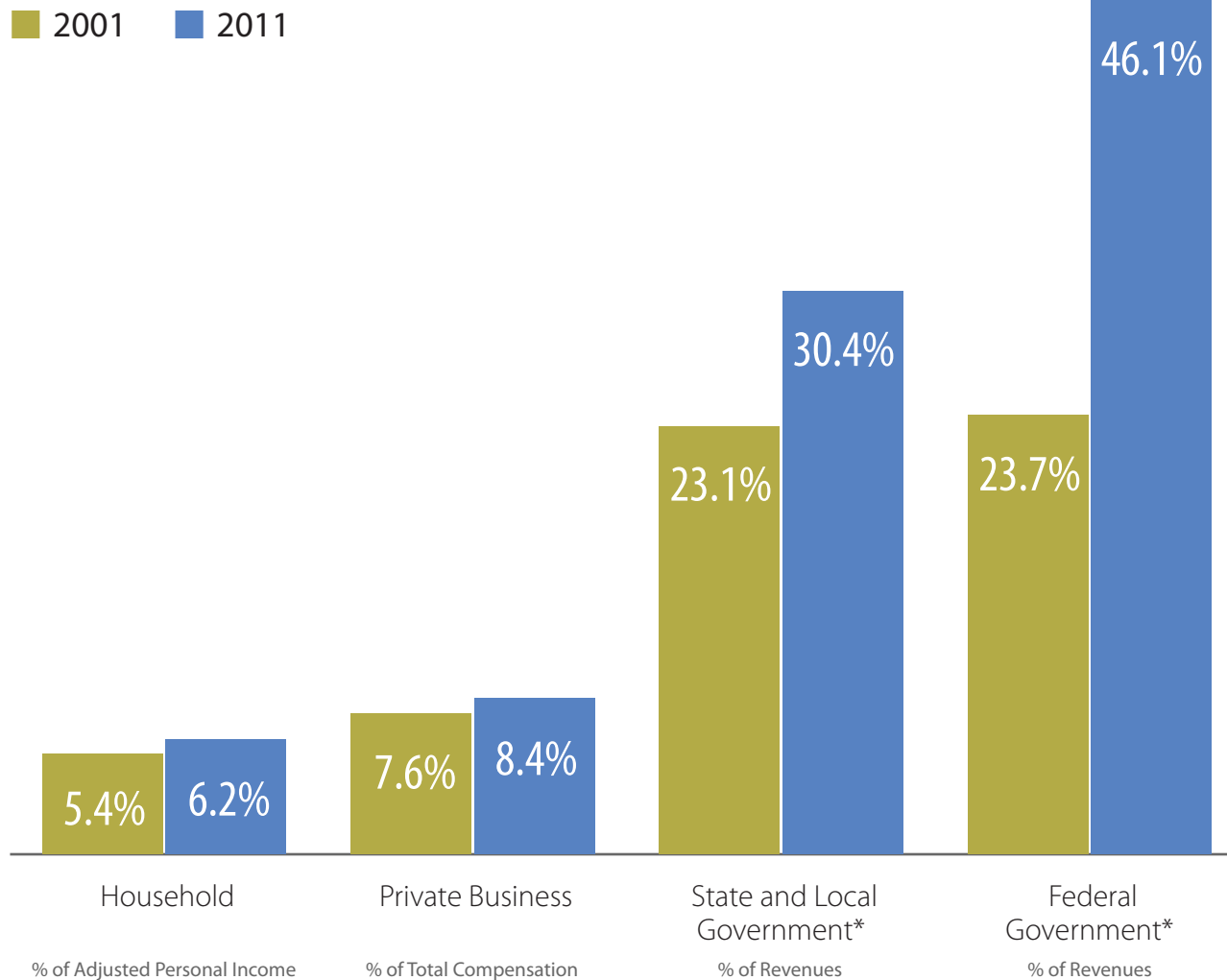
#### Sponsors

Over the past 20 years, government spending has grown faster than health spending overall. In 2011, state and local sponsorship increased 10.1% over the prior year, as enhanced federal Medicaid aid to states expired. Expanding only 2.8% in 2011, household sponsorship grew more slowly than health spending overall, continuing a two-decade trend.



# Health Care's Consumption of Sponsor Resources

United States, 2001 vs. 2011



\*Government revenues are receipts minus contributions for government social insurance; due to borrowing, federal government revenues are less than outlays.

Note: Health care's share of federal spending has declined since its 2009 peak of 53.6% of federal revenues.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures by Type of Sponsor: Businesses, Households, and Governments, 2011.

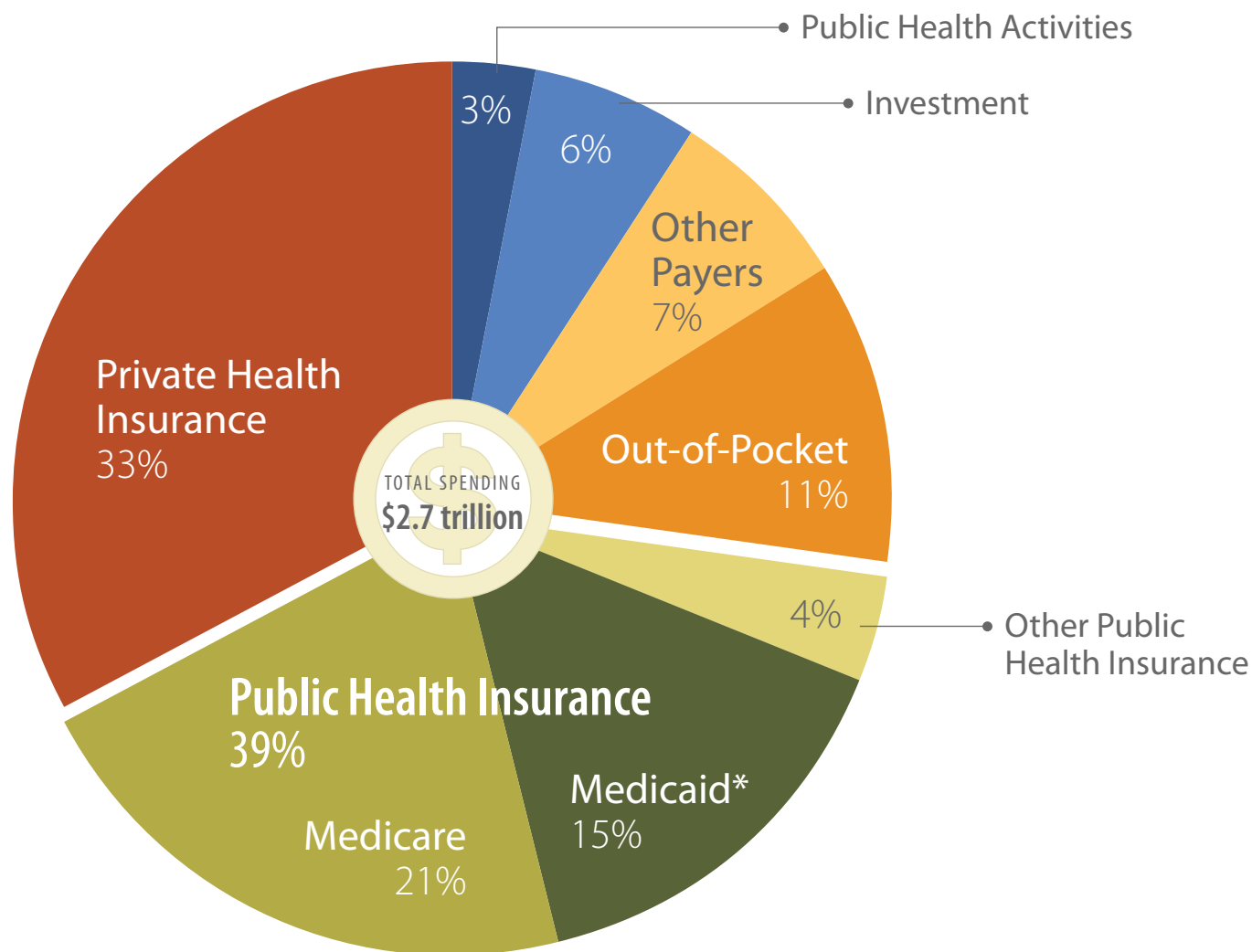
## Health Care Costs 101

### Sponsors

Health care's share of federal revenues nearly doubled over the past 10 years. Much of the increased burden on federal resources was associated with the recession, through the combined impact of lower tax revenues, higher Medicaid enrollment, and increased federal assistance to states for Medicaid through mid-2011.

# Health Spending Distribution, by Payer

## United States, 2011



\*Medicaid spending was 61% federal and 39% state spending in 2011.

Notes: Health Spending refers to National Health Expenditures. May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Payment Sources

Payers channel funds to providers. Public insurance paid for the largest share of health care costs (39%), and private health insurance accounted for 33%. Consumers paid out of pocket for 11% of health spending.

#### PAYER DEFINITIONS

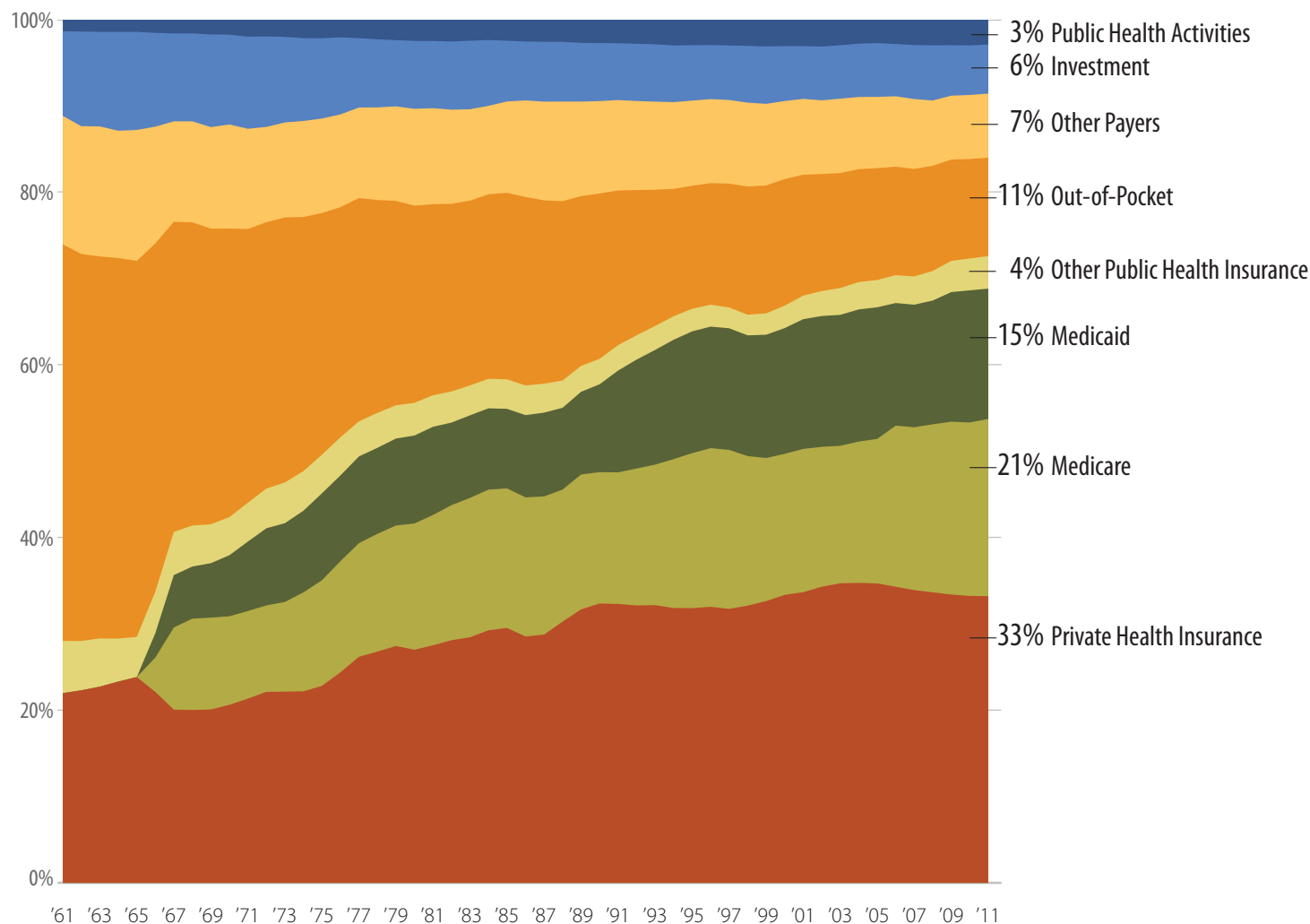
**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

# Payment Sources

## United States, 1961 to 2011



Note: May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Payment Sources

Out-of-pocket spending continued to decline as a share of all health spending, reaching an all time low of 11% in 2011. Medicare's expansion continued through the most recent decade, reaching an all time high of 21% of spending.

#### PAYER DEFINITIONS

**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

# Health Spending Distribution, by Payer

## United States, 2011 to 2021, selected years

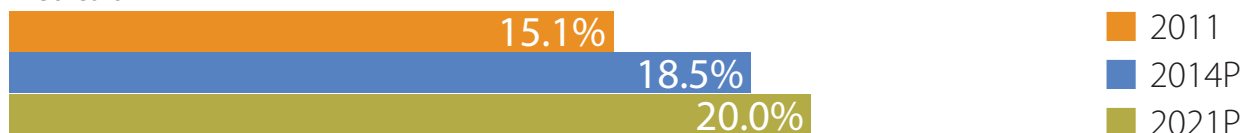
### Private Health Insurance



### Medicare



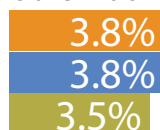
### Medicaid



### Out-of-Pocket



### Other Public Health Insurance



Notes: Health Spending refers to National Health Expenditures. Projections (P) include the impact of the Affordable Care Act. The following payers are not shown: Other Payers, Public Health Activities, and Investment, which combined total 16.0%, 15.4%, and 14.7% of spending in 2011, 2014, and 2021, respectively. May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

## Health Care Costs 101

### Payment Sources

By 2021, Medicaid's share of health spending is projected to increase to 20%, due in part to Medicaid expansion expected under health reform. Private health insurance and out-of-pocket spending are projected to comprise a smaller share over time. The projected decline in out-of-pocket spending relates to expanded insurance coverage under the Affordable Care Act.

#### PAYER DEFINITIONS

**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

# Health Spending Summary, by Payer

## United States, 2011

	SPENDING LEVEL (in billions)			DISTRIBUTION			GROWTH RATE*	
	1991	2010	2011	1991	2010	2011	1991–2011	2010–2011
National Health Expenditures	\$791.5	\$2,600.0	\$2,700.7	100%	100%	100%	6.3%	3.9%
Out-of-Pocket	\$141.7	\$299.4	\$307.7	18%	12%	11%	4.0%	2.8%
Private Health Insurance	\$255.6	\$863.7	\$896.3	32%	33%	33%	6.5%	3.8%
Medicare	\$120.6	\$522.0	\$554.3	15%	20%	21%	7.9%	6.2%
Medicaid	\$93.2	\$397.7	\$407.7	12%	15%	15%	7.7%	2.5%
Other Public Health Insurance	\$23.4	\$96.0	\$101.8	3%	4%	4%	7.6%	6.0%
Other Payers	\$82.8	\$192.7	\$200.5	10%	7%	7%	4.5%	4.1%
Public Health Activities	\$22.1	\$79.3	\$79.0	3%	3%	3%	6.6%	–0.5%
Investment	\$52.0	\$149.1	\$153.5	7%	6%	6%	5.6%	2.9%

\*Growth rate for 1991–2011 is average annual; 2010–2011 is increase of 2011 over 2010 levels.

Notes: Health Spending refers to National Health Expenditures. May not sum due to rounding.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Payment Sources

Private insurance pays for about a third of all health spending. In 2011, spending grew more slowly — for every payer — than average annual spending over the past 20 years. During that time, out-of-pocket's share of spending has fallen, while government's share has increased.

#### PAYER DEFINITIONS

**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

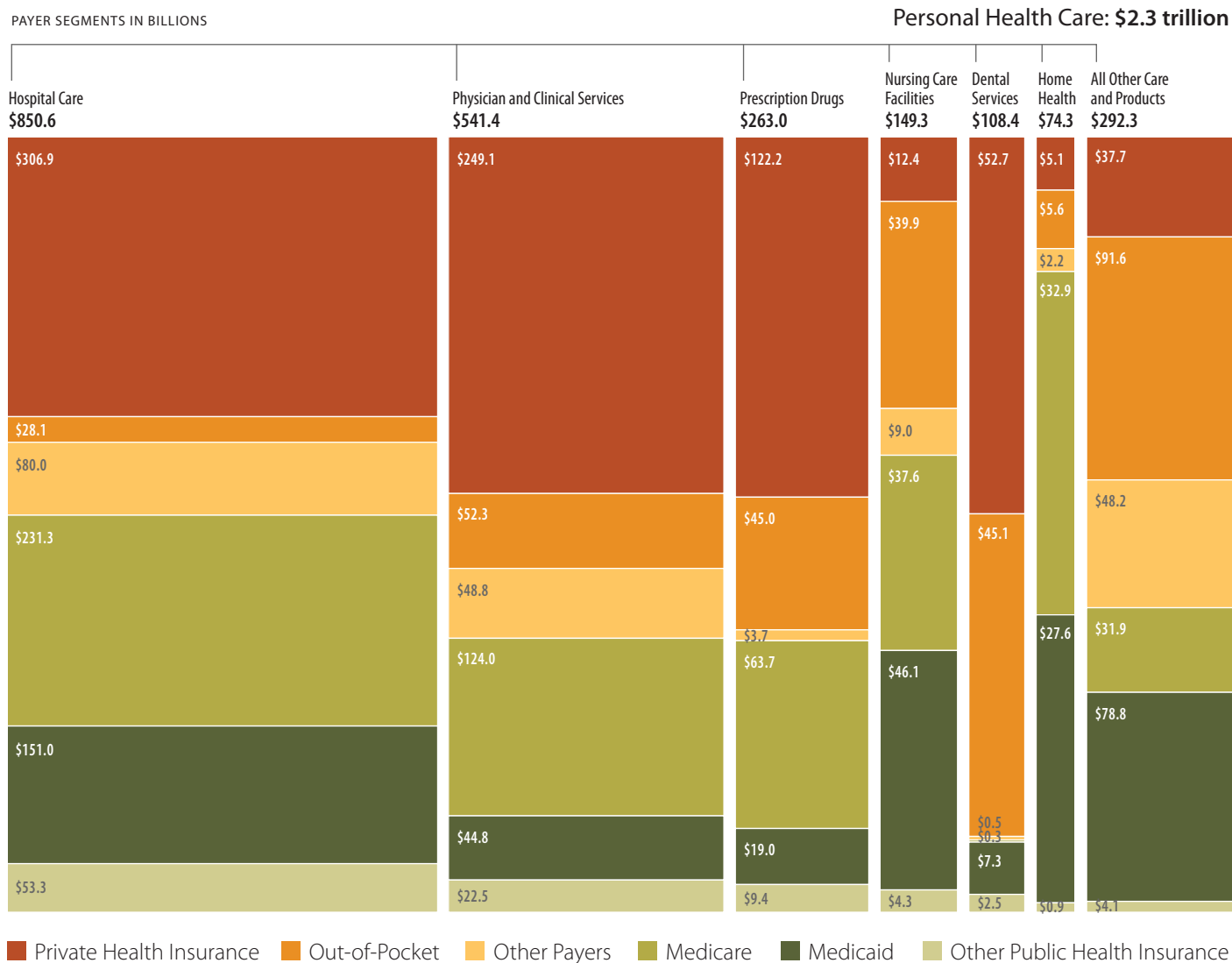
**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

# Payer Mix, by Service Category

## United States, 2011

PAYER SEGMENTS IN BILLIONS



Notes: All Other Care and Products consists of durable medical equipment; non-durable medical products; other professional services; other health, residential, and personal care. For additional detail on spending categories, see the Appendix. Further definitions available at [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Payment Sources

Private insurance paid for almost half of physician services and prescription drugs, while home health care was primarily paid for by a combination of Medicare and Medicaid. A substantial portion of dental spending was paid for out of pocket by consumers.

For an interactive look at how the payer mix by service category has changed over time, visit [www.chcf.org/hcc101](http://www.chcf.org/hcc101).

### PAYER DEFINITIONS

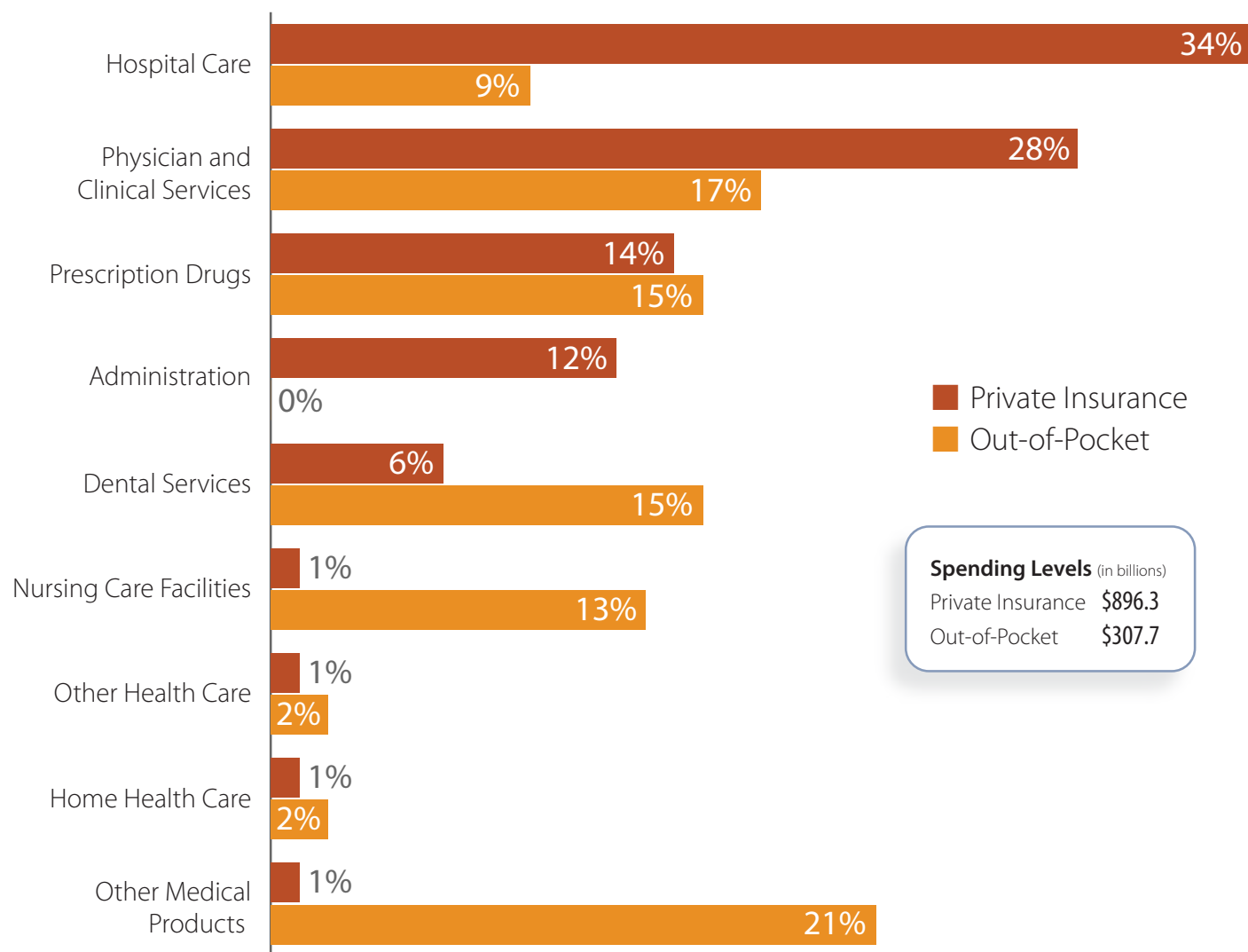
**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

# Spending Distribution, Private Insurance vs. Out-of-Pocket

## United States, 2011



### Health Care Costs 101

#### Payment Sources

The largest expense category for private insurance was hospital care, which accounted for about a third of its total spending. In contrast, the largest category of out-of-pocket expenses was other medical products, which includes items such as eyeglasses and over-the-counter medications.

#### SPENDING CATEGORY DEFINITIONS

**Administration** includes the administrative costs of health care programs such as Medicare and Medicaid as well as the net cost of health insurance.

**Other health care** refers to the category other health, residential, and personal care.

**Other medical products** refers to durable medical equipment and non-durable medical products.

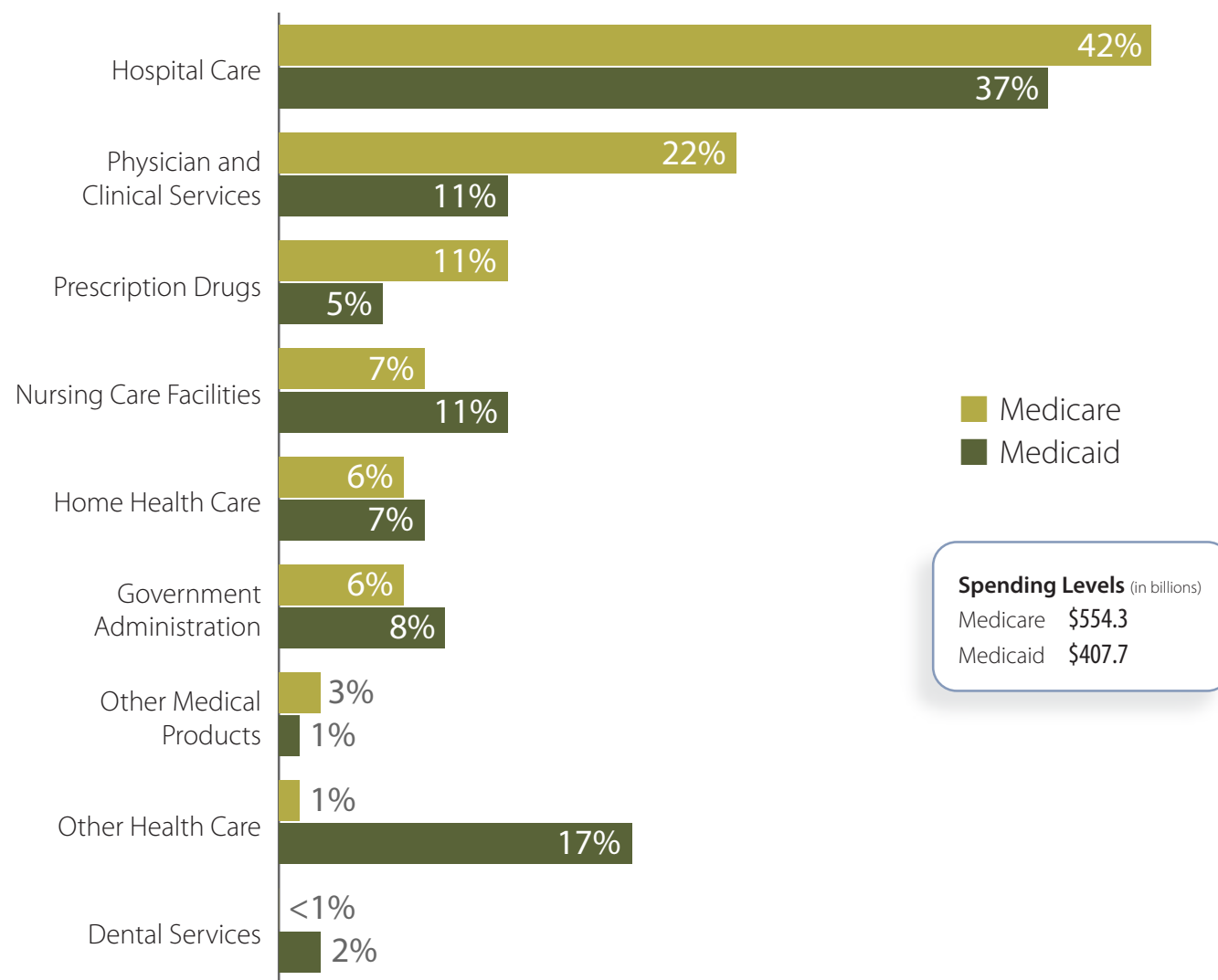
Notes: Other Professional Services (3% of private health insurance; 6% of out-of-pocket spending) are not shown. For additional detail on spending categories, see the Appendix. Further definitions available at [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.



# Spending Distribution, Medicare vs. Medicaid

## United States, 2011



Notes: Other Professional Services (2.9% Medicare; 1.2% Medicaid) are not shown. For additional detail on spending categories, see the Appendix. Further definitions available at [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Payment Sources

Hospital care represented the largest expense for both Medicare and Medicaid. Medicare spent a greater share of its resources on physician and clinical services and on prescription drugs than Medicaid. Medicaid spent a larger share on nursing home care.

#### SPENDING CATEGORY DEFINITIONS

**Administration** includes the administrative costs of health care programs such as Medicare and Medicaid as well as the net cost of health insurance.

**Other health care** refers to the category other health, residential, and personal care. Includes care, such as respite and rehabilitation services, in nontraditional settings, such as senior centers, community centers, and homes, for those who would otherwise require long term institutional care.

**Other medical products** refers to durable medical equipment and non-durable medical products.

# Average Annual Growth Rates in Health Spending

United States, 1971 to 2011, selected years

GROWTH OVER PRIOR PERIOD SHOWN



Notes: Health Spending refers to National Health Expenditures. The 1971 figure represents the average annual increase from 1961 to 1971.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Growth Trends

The average annual growth rate has declined since 1981. Furthermore, in the past three years, growth has been flat, at a historic low of 3.9%. These recent, recession-influenced figures punctuate two decades of lower spending, in which average annual spending growth has remained solidly in the single digits.

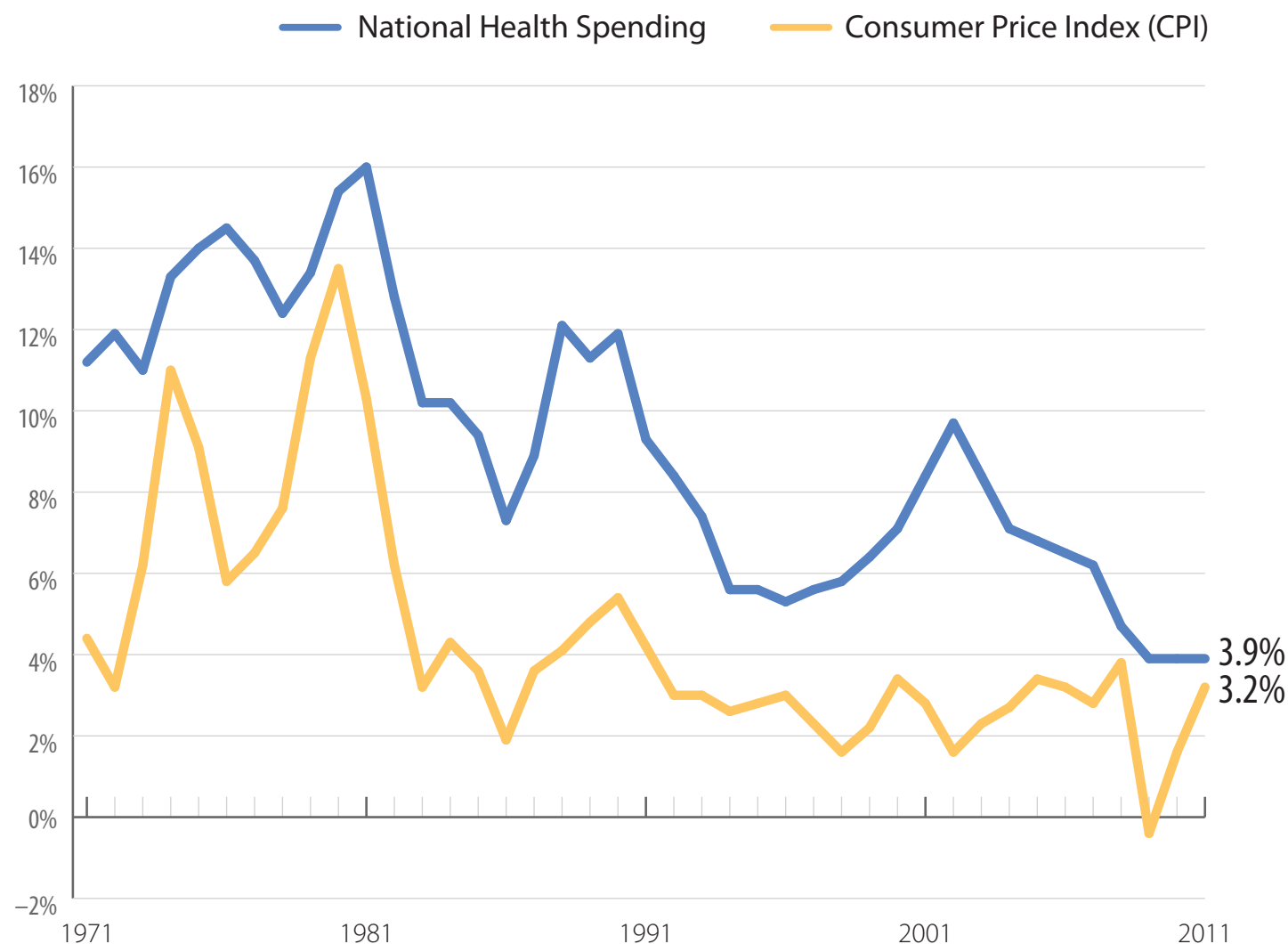
# Annual Growth Rates, Health Spending vs. Inflation

## United States, 1971 to 2011

### Health Care Costs 101

#### Growth Trends

Health spending in 2011 was only slightly higher than inflation.

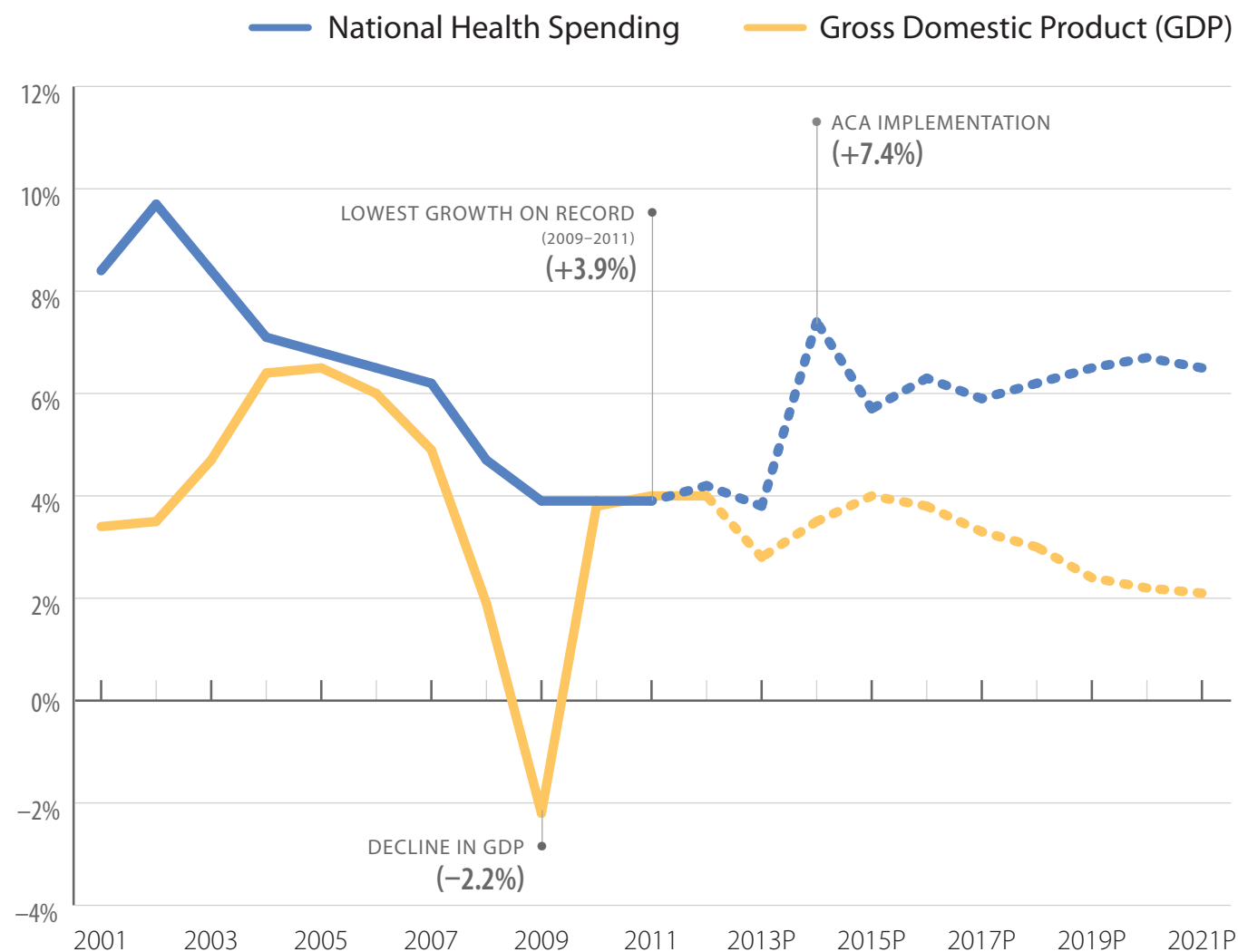


Note: Health Spending refers to National Health Expenditures.

Sources: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release. Bureau of Labor Statistics: CPI-U, US city average, annual figures.

# Annual Growth Rates, Health Spending vs. the Economy

## United States, 2001 to 2021



Notes: Health Spending refers to National Health Expenditures. Projections (P/dotted lines) include the impact of the Affordable Care Act (ACA).  
Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

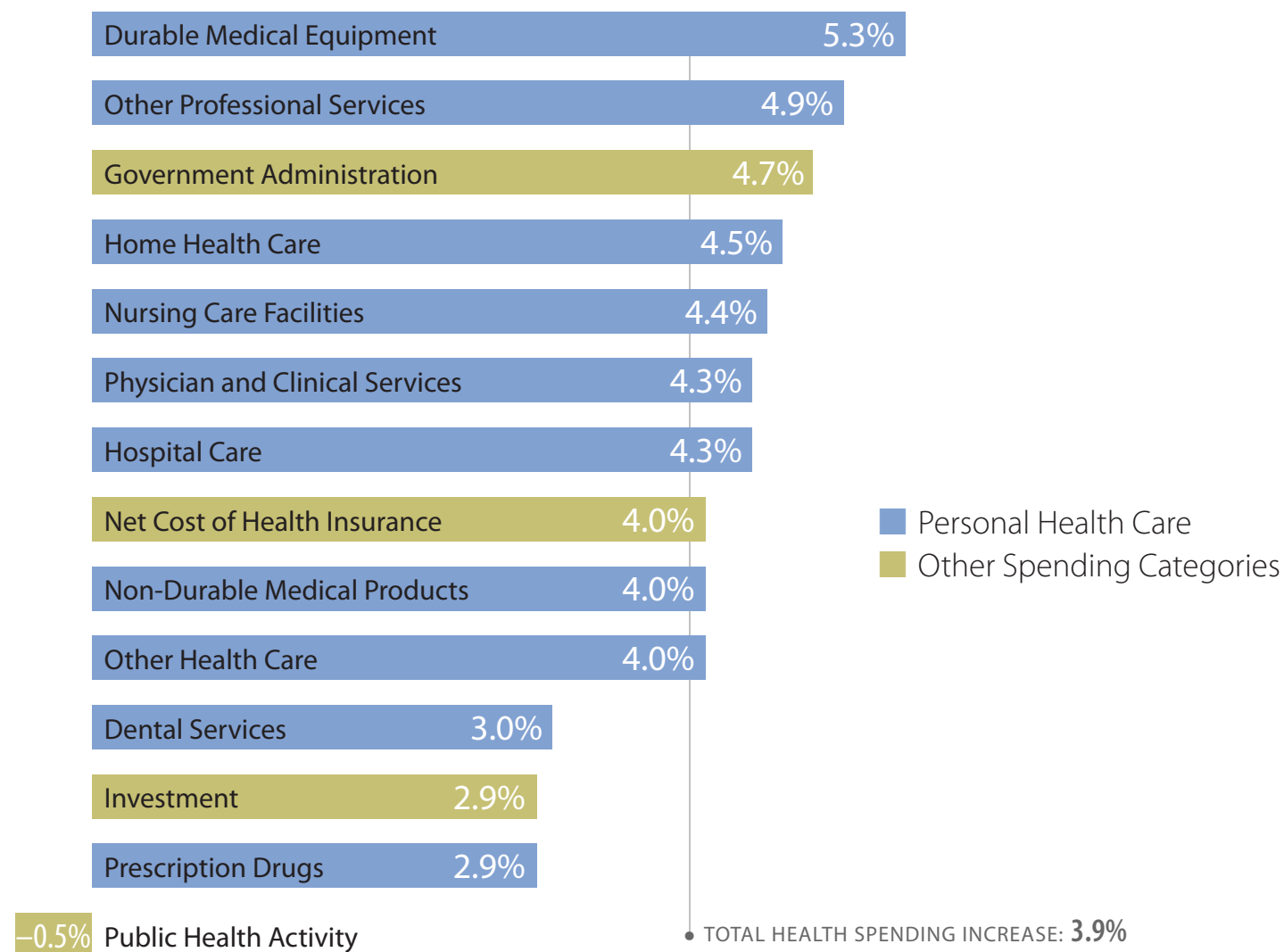
### Health Care Costs 101

#### Growth Trends

Continued slow growth in health spending is projected until 2014, when major provisions of the ACA will cause a one-time spike in growth rates.

# Growth Rates, by Spending Category

## United States, 2011



Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Growth Trends

Spending on both hospital care and physician and clinical services grew by 4.3%, a modest pace by historical standards. Spending on one category, public health, declined in 2011.

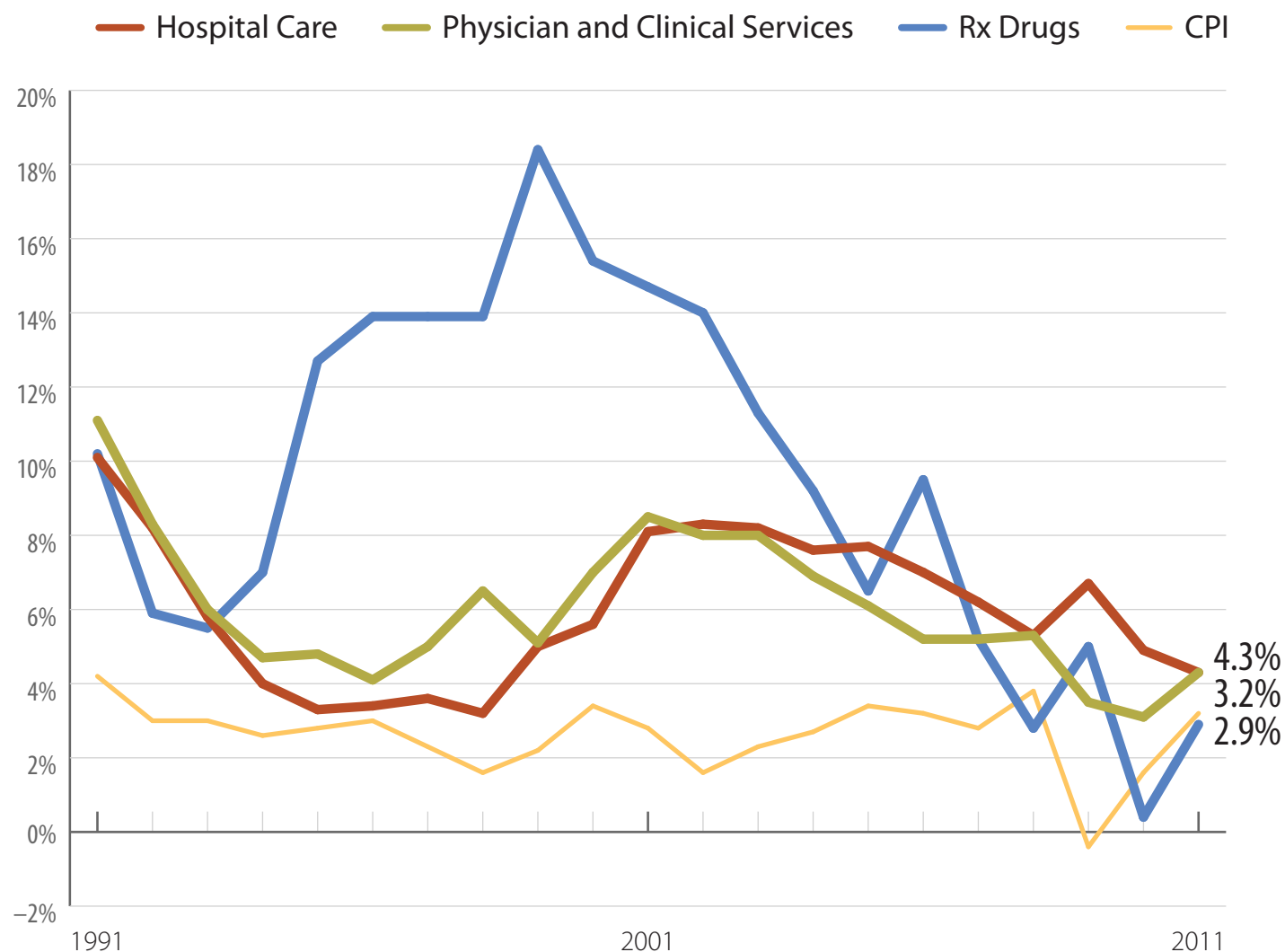
#### SPENDING CATEGORY DEFINITIONS

**Other professional services** consists of care provided in establishments operated by health care providers other than physicians or dentists, such as chiropractors, podiatrists, and speech therapists.

**Other health care** refers to the category other health, residential, and personal care. Includes care, such as respite and rehabilitation services, in nontraditional settings, such as senior centers, community centers, and homes, for those who would otherwise require long term institutional care.

# Annual Growth Rates, Selected Spending Categories

## United States, 1991 to 2011



Notes: Health Spending refers to National Health Expenditures. CPI is Consumer Price Index.

Sources: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release. Bureau of Labor Statistics: CPI-U, US city average, annual figures.

### Health Care Costs 101

#### Growth Trends

Spending over the last four years grew slowly by historical standards. In both 2010 and 2011, spending in these categories grew less than 5% a year. For the second year in a row, prescription drug spending increased more slowly than the CPI, a huge contrast to its rapid growth in previous years. This slowdown in growth is due in part to increased use of generic drugs and the expiration of patents that led to more generic equivalents on the market.

# Annual Growth in Health Spending, by Sponsor

## United States, 2011

State and Local Government

10.1%

Private Business

4.2%

Other Private Revenues

3.2%

Household

2.8%

Federal Government

1.3%

• TOTAL HEALTH SPENDING INCREASE: 3.9%

Notes: Health Spending refers to National Health Expenditures. Sponsors are the entities that are ultimately responsible for financing the health care bill. In past editions, this publication referred to these as contributors. Other private revenues includes philanthropy, privately funded structures and equipment, and investment income. See page 12 for detail on the how sponsors finance health care spending.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

### Health Care Costs 101

#### Growth Trends

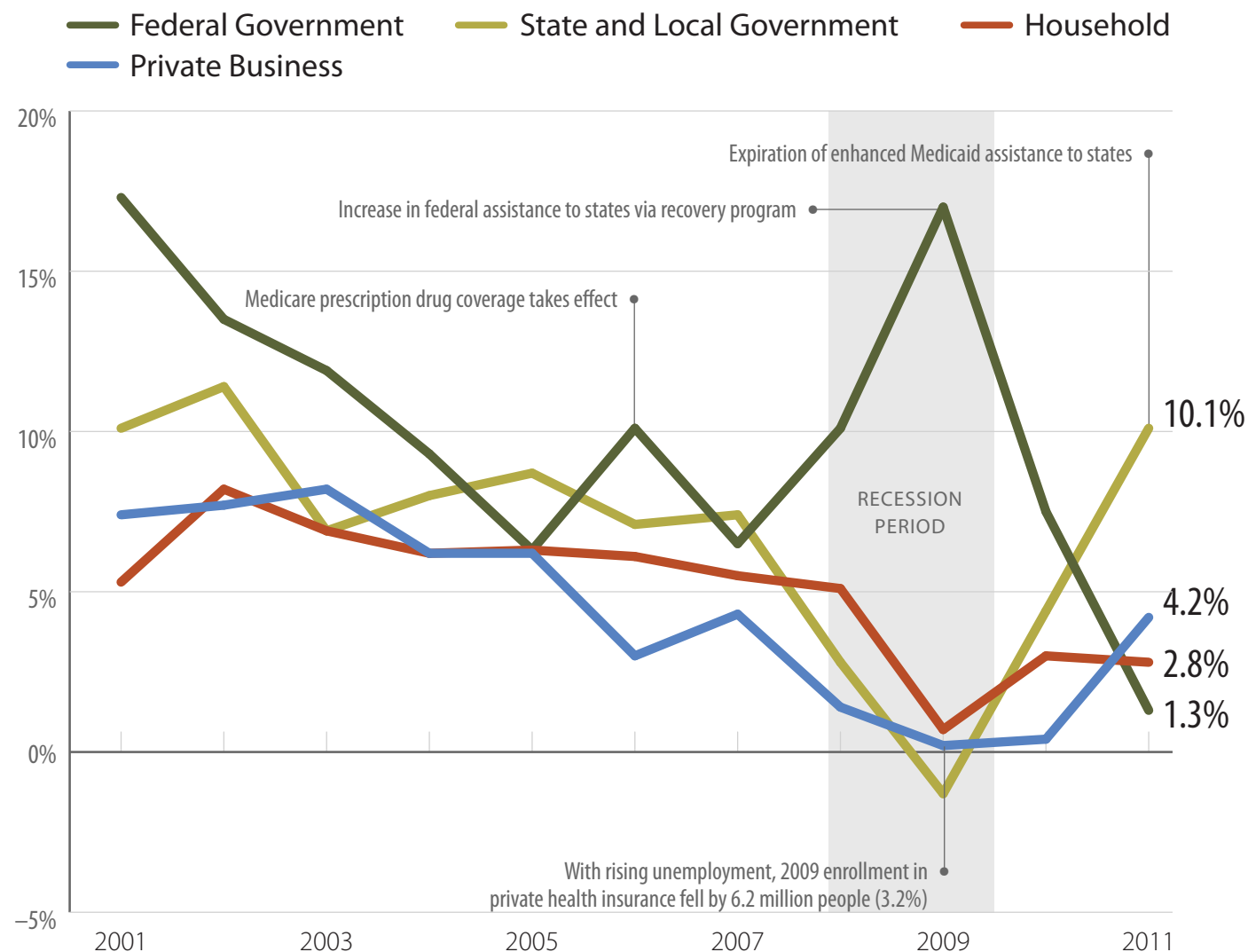
State and local spending grew the most, driven largely by the expiration\* of enhanced federal Medicaid aid to states, which had been part of the economic recovery program.

\*Enhanced aid to states expired in June 2011. These enhanced payments for Medicaid, mandated by the American Recovery and Reinvestment Act of 2009 (ARRA), were in effect from October 2008 through June 2011, and had provided a higher Federal Medical Assistance Percentage (FMAP) to states.



# Annual Growth in Health Spending, by Sponsor

## United States, 2001 to 2011



Notes: Health Spending refers to National Health Expenditures. Sponsors are the entities that sponsor health care payments through premiums, direct out-of-pocket payments, and dedicated or general tax revenue. In past editions, this publication referred to these as contributors. See page 12 for additional detail on the means of sponsorship.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

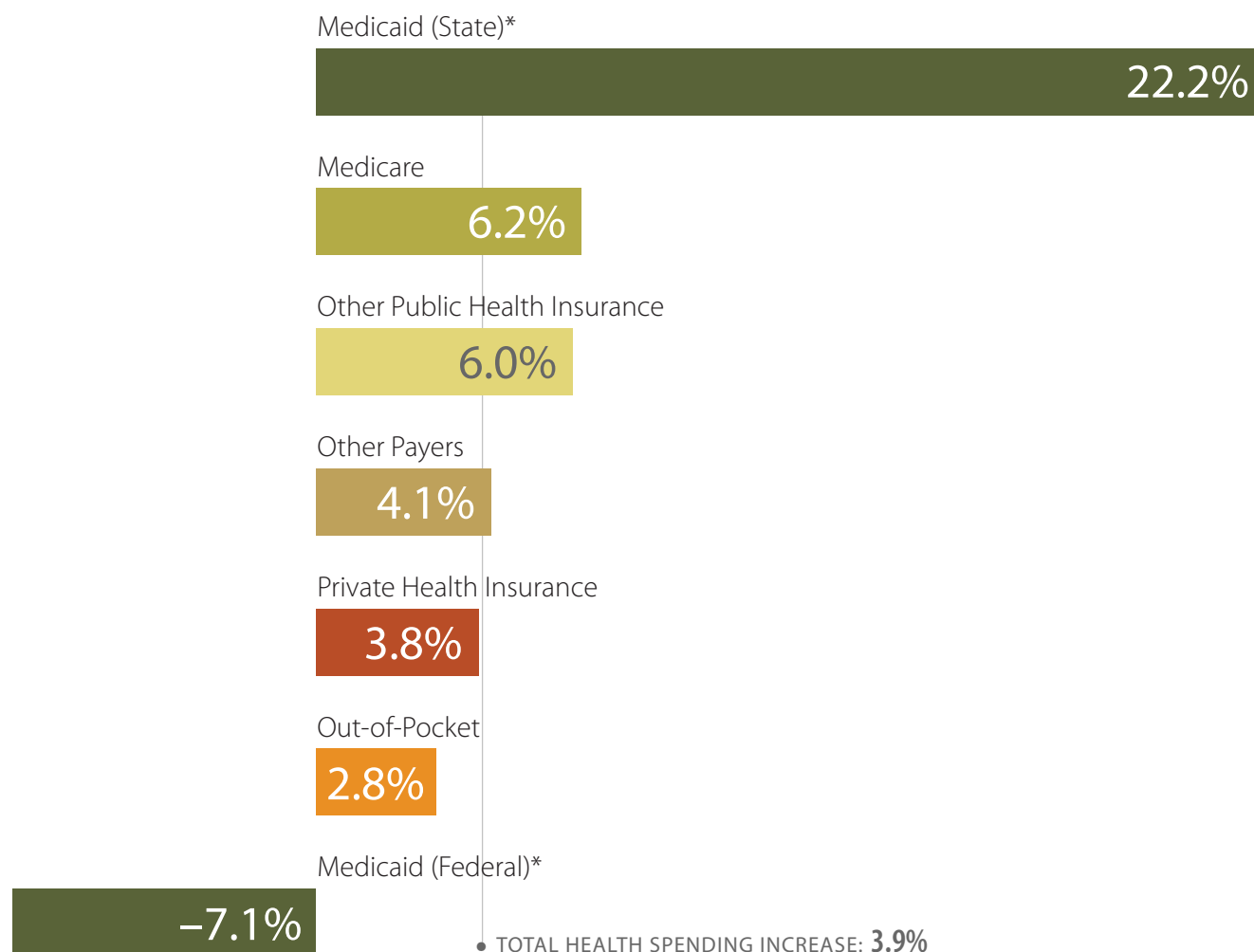
### Health Care Costs 101

#### Growth Trends

Although overall health spending growth has slowed over the last ten years, the federal government's sponsorship of health care has grown faster than overall health spending (9.3% vs. 6.1%), in part due to the recession. Most recently, federal sponsorship has decelerated. Private business sponsorship grew more slowly during the recession but is accelerating now.

# Annual Change in Health Spending Levels, by Payer

## United States, 2011



\*The enhanced Federal Medical Assistance Percentage (FMAP) for Medicaid, available to states through the American Recovery and Reinvestment Act of 2009, expired June 30, 2011.

Notes: Health Spending refers to National Health Expenditures. Not shown: Public Health Activities (-0.5%); Investment (2.9%). Spending growth by private health insurance reflects, in part, enrollment growth of 0.5%, the first enrollment increase in three years; expanded dependent coverage to age 26, available as of September 23, 2010, contributed to enrollment figures. Enrollment also grew in Medicare (2.5%) and Medicaid (3.2%).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Growth Trends

State Medicaid spending increased dramatically and federal Medicaid spending shrank, as enhanced federal matching assistance to states for Medicaid expired. Combined federal and state Medicaid spending increased 2.5% (not shown).

#### PAYER DEFINITIONS

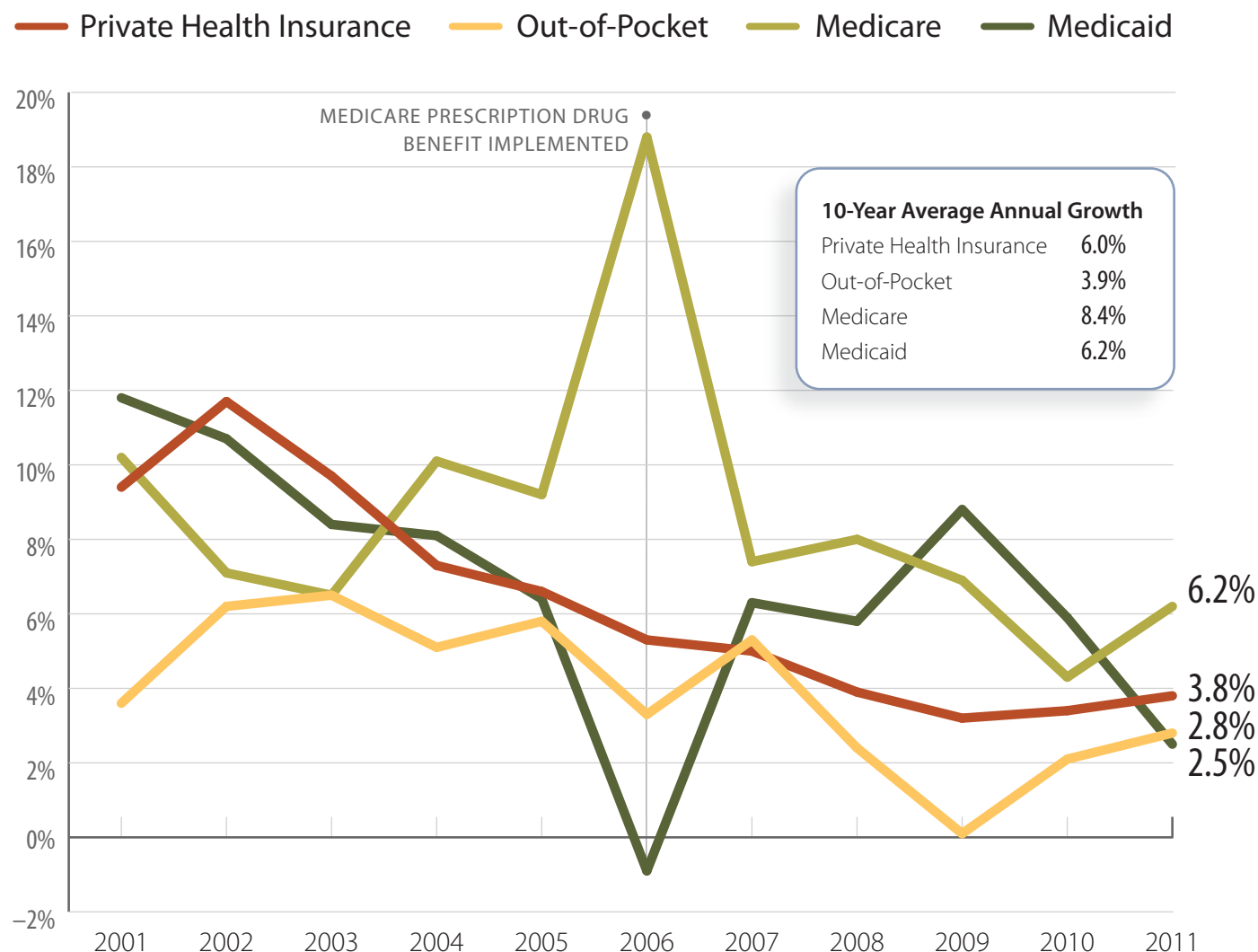
**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

# Annual Growth Rates, by Payer

## United States, 2001 to 2011



Note: Not shown: Other Public Health Insurance, Other Payers, Public Health Activities, Investment.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Health Care Costs 101

### Growth Trends

Spending growth has slowed over the past ten years, both for private insurance and out-of-pocket spending. Medicare spending had the largest growth over this period, and has also posted the highest single-year increase. Medicaid spending, which grew quickly during the recession, has been decelerating since 2009.

#### PAYER DEFINITIONS

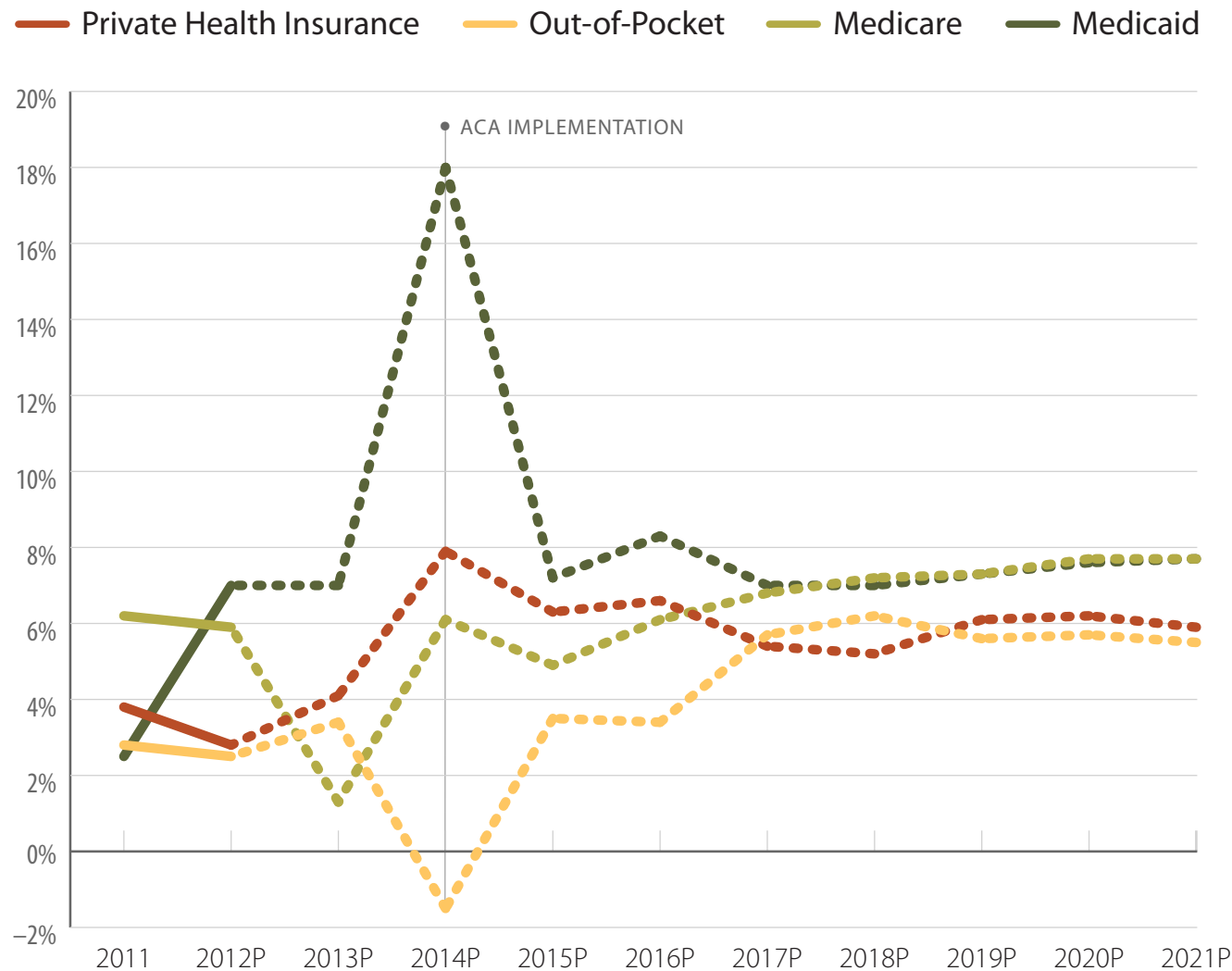
**Out-of-pocket** includes consumer spending on copays, deductibles, and goods and care not covered by insurance; it does not include premiums.

**Other public health insurance** includes Departments of Defense and Veterans Affairs health care, as well as the Children's Health Insurance Program (CHIP).

**Other payers** includes worksite health care, Indian Health Service, workers' compensation, maternal and child health, and vocational rehabilitation.

# Annual Growth Projections, by Payer

## United States, 2011 to 2021



Notes: Projections (P/dotted lines) include the impact of the Affordable Care Act (ACA). The projected 2013 slowdown in Medicare spending is the result of two policy actions, a 30.9% cut to physician payment rates mandated by the Sustainable Growth Rate formula and an estimated 2% cut to Medicare payments between 2013 and 2022, resulting from a provision of the Budget Control Act of 2011.

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release and 2012 (projections).

### Health Care Costs 101

#### Growth Trends

With the implementation of health reform in 2014, many people are expected to gain insurance, especially through Medicaid. Accordingly, Medicaid spending is projected to increase the most in 2014 — 18%, up from 7% in the prior year. Out-of-pocket spending is expected to fall as many uninsured people gain coverage.

# Data Resources

## Economic Data

- Historical Budget Data, as presented in Congressional Budget Office, The Budget and Economic Outlook, Fiscal Years 2012 to 2022 (January 31, 2012), Tables F1–5.  
[www.cbo.gov](http://www.cbo.gov)
- Consumer Price Index, Bureau of Labor Statistics:  
[www.bls.gov/cpi](http://www.bls.gov/cpi)
- Organization for Economic Development. *OECD Health Data: 2013*. “Frequently Requested Data”, June 2013.  
[www.oecd.org](http://www.oecd.org)

## Journal Publications Authored by CMS Staff

- Micah Hartman, Anne B. Martin, Joseph Benson, Aaron Catlin, and the National Accounts Team: “National Health Spending in 2011: Overall Growth Remains Low, But Some Payers and Services Show Signs of Acceleration,” *Health Affairs*, January 2013, 32:87–99.  
[www.healthaffairs.org](http://www.healthaffairs.org)
- Sean P. Keehan, Gigi A. Cuckler, Andrea M. Sisko, Andrew J. Madison, Sheila D. Smith, Joseph M. Lizonitz, John A. Poisal, and Christian J. Wolfe. “National Health Expenditure Projections: Modest Annual Growth Until Coverage Expands and Economic Growth Accelerates,” *Health Affairs*, July, 2012, 31:7.  
[www.healthaffairs.org](http://www.healthaffairs.org)

## National Health Expenditures

### HISTORICAL INFORMATION/OVERVIEW

- Data:  
[www.cms.gov](http://www.cms.gov)
- Definitions, Sources, Methods (PDF):  
[www.cms.gov](http://www.cms.gov)
- Health Expenditures by Sponsors: Business, Household and Government:  
[www.cms.gov](http://www.cms.gov)
- Overview of National Health Expenditure Resources:  
[www.cms.gov](http://www.cms.gov)
- Quick Reference Definitions (PDF):  
[www.cms.gov](http://www.cms.gov)
- Summary of Benchmark Changes (PDF):  
[www.cms.gov](http://www.cms.gov)
- Tables (PDF):  
[www.cms.gov](http://www.cms.gov)

### PROJECTIONS

- Data:  
[www.cms.gov](http://www.cms.gov)
- Methodology (PDF):  
[www.cms.gov](http://www.cms.gov)
- Forecast Summary and Selected Tables (updated PDF):  
[www.cms.gov](http://www.cms.gov)

## Health Care Costs 101

### ABOUT THIS SERIES

The California Health Care Almanac is an online clearinghouse for data and analysis examining the state’s health care system. It focuses on issues of quality, affordability, insurance coverage and the uninsured, and the financial health of the system with the goal of supporting thoughtful planning and effective decisionmaking. Learn more at [www.chcf.org/almanac](http://www.chcf.org/almanac).

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[www.chcf.org](http://www.chcf.org)

# Appendix: Category Breakdown

	SPENDING LEVEL (in billions)				DISTRIBUTION				GROWTH RATE*		
	1991	2001	2010	2011	1991	2001	2010	2011	1991–2011	2007–2011	2010–2011
<b>National Health Expenditures</b>	<b>\$791.5</b>	<b>\$1,493.3</b>	<b>\$2,600.0</b>	<b>\$2,700.7</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>6.3%</b>	<b>4.1%</b>	<b>3.9%</b>
<b>Health Consumption Expenditures</b>	<b>739.5</b>	<b>1,402.0</b>	<b>2,450.8</b>	<b>2,547.2</b>	<b>93%</b>	<b>94%</b>	<b>94%</b>	<b>94%</b>	<b>6.4%</b>	<b>4.3%</b>	<b>3.9%</b>
▶ <b>Personal Health Care</b>	<b>677.7</b>	<b>1,265.3</b>	<b>2,190.0</b>	<b>2,279.3</b>	<b>86%</b>	<b>85%</b>	<b>84%</b>	<b>84%</b>	<b>6.3%</b>	<b>4.5%</b>	<b>4.1%</b>
▶ Hospital Care	275.8	449.4	815.9	850.6	35%	30%	31%	31%	5.8%	5.3%	4.3%
▶ Professional Services	228.8	424.1	694.2	723.1	29%	28%	27%	27%	5.9%	4.0%	4.2%
▶ Physician and Clinical Services	176.5	315.7	519.1	541.4	22%	21%	20%	20%	5.8%	4.1%	4.3%
▶ Dental Services	33.5	67.8	105.3	108.4	4%	5%	4%	4%	6.0%	2.7%	3.0%
▶ Other Professional Services	18.7	40.6	69.8	73.2	2%	3%	3%	3%	7.1%	5.3%	4.9%
▶ Nursing Care Facilities	49.4	90.8	143.0	149.3	6%	6%	6%	6%	5.7%	4.3%	4.4%
▶ Home Health Care	15.2	34.4	71.2	74.3	2%	2%	3%	3%	8.3%	6.5%	4.5%
▶ Other Health Care	27.8	70.6	128.0	133.1	4%	5%	5%	5%	8.1%	5.5%	4.0%
▶ Retail Outlet Sales	80.7	196.1	337.8	348.9	10%	13%	13%	13%	7.6%	2.9%	3.3%
▶ Prescription Drugs	44.4	138.7	255.7	263.0	6%	9%	10%	10%	9.3%	2.8%	2.9%
▶ Other Non-Durable Medical Products	23.2	32.3	45.2	47.0	3%	2%	2%	2%	3.6%	3.5%	4.0%
▶ Durable Medical Equipment	13.1	25.1	36.9	38.9	2%	2%	1%	1%	5.6%	3.1%	5.3%
▶ <b>Administration</b>	<b>39.7</b>	<b>90.0</b>	<b>181.5</b>	<b>188.9</b>	<b>5%</b>	<b>6%</b>	<b>7%</b>	<b>7%</b>	<b>8.1%</b>	<b>2.4%</b>	<b>4.1%</b>
▶ Net Cost of Health Insurance	31.7	70.9	150.4	156.4	4%	5%	6%	6%	8.3%	2.4%	4.0%
▶ Federal Government Administration	5.4	12.3	22.3	23.5	1%	1%	1%	1%	7.6%	4.7%	5.0%
▶ State and Local Government Administration	2.6	6.9	8.7	9.1	0%	0%	0%	0%	6.5%	-2.1%	4.1%
▶ <b>Public Health Activities</b>	<b>22.1</b>	<b>46.8</b>	<b>79.3</b>	<b>79.0</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>3%</b>	<b>6.6%</b>	<b>3.6%</b>	<b>-0.5%</b>
<b>Investment</b>	<b>52.0</b>	<b>91.3</b>	<b>149.1</b>	<b>153.5</b>	<b>7%</b>	<b>6%</b>	<b>6%</b>	<b>6%</b>	<b>5.6%</b>	<b>1.7%</b>	<b>2.9%</b>
▶ Research	13.8	28.5	49.0	49.8	2%	2%	2%	2%	6.6%	4.4%	1.7%
▶ Structures and Equipment	38.2	62.8	100.1	103.7	5%	4%	4%	4%	5.1%	0.5%	3.6%

\*Growth rate for 1991–2011 and 2007–2011 is average annual; 2010–2011 is increase of 2011 over 2010 levels.

Notes: Health Spending refers to National Health Expenditures. Columns may not sum due to rounding. Additional information on category definitions at: [www.cms.gov](http://www.cms.gov) and methodology at: [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.

## Category Definitions

**Other professional services** consists of care provided in establishments operated by health care providers other than physicians or dentists, such as chiropractors, podiatrists, and speech therapists.

**Nursing care facilities** and continuing care retirement facilities category includes freestanding facilities only.

**Other health care** refers to the category, Other Health, Residential, and Personal Care, which includes care provided in non-traditional settings, such as ambulances, military field hospitals, and schools.

**Net cost of health insurance** reflects the difference between benefits and premiums for private insurance, and includes claims processing costs, marketing costs, premium taxes, and profits or losses.

**Government administration (federal/state and local)** includes the administrative costs of health care programs such as Medicare and Medicaid.

**Public health activities** reflects government spending to prevent or control public health problems, for example through the Centers for Disease Control and Prevention and the Food and Drug Administration.

**Research** refers to non-commercial research conducted by nonprofit or government entities. Research by commercial enterprises is reflected in their respective spending categories. For example, research by pharmaceutical manufacturers is included in the amount spent on prescription drugs.

**Structures and equipment** reflects construction costs for new or replacement medical establishments, such as a new hospital wing or medical office building, and investment in capital equipment for medical establishments, such as new imaging equipment or hospital beds.

Note: Additional information on category definitions at: [www.cms.gov](http://www.cms.gov).

Source: Centers for Medicare and Medicaid Services (CMS), Office of the Actuary, National Health Expenditures, 2013 release.